

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA**

UNITED STATES OF AMERICA	*	CRIMINAL NO. 2:12-CR-106
V.	*	SECTION: G(3)
REGINALD R. HARPER	*	VIOLATIONS: 18 U.S.C. § 371
	*	
	* * *	

FACTUAL BASIS

Should this matter have proceeded to trial, the Government would have proven, through the introduction of competent testimony and admissible evidence, the following facts, beyond a reasonable doubt, to support the allegations in the Bill of Information now pending against the defendant, **REGINALD R. HARPER** (“**HARPER**” or the “defendant”).

The defendant, **HARPER**, has agreed to plead guilty as charged to the one-count Bill of Information charging him with conspiracy to commit bank fraud, in violation of Title 18, United States Code, Section 371.

Background Information

Evidence, including admissible documents and testimony, would be introduced to prove that, beginning in at least 1999 through in or about September 2009, **HARPER** was employed at First Community Bank (“**FCB**”), located in Hammond, Louisiana, within the Eastern District of Louisiana. By 2004 and continuing through September 2009, **HARPER** held the position of President, Chief Executive Officer, and loan officer at **FCB**. Evidence would be admitted to prove that the deposits of **FCB** were insured by the Federal Deposit Insurance Corporation (“**FDIC**”) under certificate number 35090. Beginning not later than 2004, and continuing through in or about 2009,

the defendant, **HARPER**, in his role as President, CEO, and loan officer of FCB, loaned, on behalf of FCB, millions of dollars to a real estate developer named Troy Fouquet (“Fouquet”). During this time, Fouquet, a resident of Hammond, Louisiana area, located in the Eastern District of Louisiana, owned or had a financial interest in several companies, including Team Management, LLC (“Team Management”) and TRISA, LLC (“TRISA”). Both Team Management and TRISA were also headquartered in the Eastern District of Louisiana. The loans given by **HARPER** on behalf of FCB and obtained by Fouquet and/or his companies, including Team Management, included loans to purchase and develop parcels of real estate to be subdivided and to build houses on them for purchase by individual home buyers. As set forth below, **HARPER** and Fouquet, in concert with others, engaged in a repeated pattern in fraudulent activity, or a scheme to defraud FCB by, including but not limited to (1) utilizing “straw borrowers” to obtain new FCB loans (so-called “nominee” or sham loans), the proceeds of which were used to pay older, soon-to-be delinquent loans; and (2) presenting and accepting insufficient checks (i.e. checks not supported by sufficient funds) for payment for Fouquet-related loans and using these checks to make the Fouquet-related loans appear current when, in reality, these loans were delinquent. These fraudulent activities led to, among other things, false call reports (reports of financial condition issued on a quarterly basis) issued by FCB which ultimately impacted an application completed and submitted by FCB to the Troubled Asset Relief Program (TARP), a program administered by the United States. The purpose of this fraudulent activity, as set forth in more detail below, was to obtain money or property from FCB for the Fouquet-related businesses and loans by means of material false pretenses and representations; to avoid reporting the delinquency of the Fouquet-related loans to FCB’s Board of Directors; and to permit Fouquet and his various development companies to remain solvent. As a result of this

misconduct, as noted below, FCB ultimately suffered large financial losses. Government witnesses would testify that these losses substantially jeopardized the safety and soundness of FCB.

Conspiracy to Commit Bank Fraud

Evidence would be introduced to prove that, **HARPER**, on behalf of FCB, loaned Fouquet and his various companies millions of dollars to purchase various tracts of lands in Tangipahoa Parish, Louisiana, and St. Tammany Parish, Louisiana, all located within the Eastern District of Louisiana. Fouquet, by and through his various companies, associates and contractors, purchased these tracts of land, subdivided them, and began the process of building houses on the plots. In connection with the building of houses, **HARPER**, Fouquet, and others sought to identify prospective home buyers to purchase the new houses and, once identified, **HARPER**, as a loan officer, President, and CEO of FCB, authorized in excess of \$2 million in FCB construction loans in the name of these prospective home buyers. The proceeds of these construction loans were disbursed to, among others, Fouquet, his contractors, and his associates, to construct the homes for the prospective home buyers. The goal of these construction loans was to identify these home buyers; have the home buyers obtain mortgages from permanent mortgage lenders; and then build the profits to pay Fouquet and his companies into the home buyers' mortgages. Once Fouquet and his various companies and associates were paid by the permanent mortgage company, Fouquet and his companies would have sufficient funds to pay back the FCB loans noted above issued by **HARPER**.

However, testimonial and documentary evidence would be admitted to show that, from in or about 2004 through in or about 2009, it became difficult for **HARPER**, Fouquet, and others to identify home buyers who could qualify for permanent mortgages. In fact, many of the identified

prospective home buyers were of such poor credit that **HARPER** had to make “loans” to them from FCB funds to make it appear as if these home buyers were more qualified than they actually were. These loans acted as false verifications of deposit to the permanent mortgage lenders.

Evidence would further be introduced to prove that, beginning in and around 2005, **HARPER**, Fouquet, and others realized that a number of factors – including increased construction costs due to natural disasters and the lack of qualified home buyers – were negatively affecting their ability to make a profit on the real estate development loans. Once making this realization, **HARPER**, Fouquet, and others then knowingly undertook fraudulent actions to (a) conceal the true status of these rapidly-developing delinquent loans; and (b) keep Fouquet and his companies solvent in the hopes that new home buyers could be identified to purchase the homes on the tracts of land at issue. These fraudulent actions were done, as set forth below, to obtain money and property from FCB by means of material false representations and were done with specific intent to defraud FCB.

“Nominee” Loans

Testimonial evidence, along with documents, would be admitted to show that, beginning in or around 2005, Fouquet, **HARPER**, and others began recruiting “straw borrowers,” or individuals who would act as borrowers on new “loans,” the proceeds of which would be utilized to pay off the original loans in the name of Fouquet and his companies (the FCB loans to purchase the original tracts of land for development) or in the name of the original, prospective home buyers (the FCB construction loans). It was understood by **HARPER**, Fouquet, and others that these “straw borrowers,” many of whom signed up for the purported purpose of constructing new homes, were never, in fact, desiring to purchase or construct a house and that these “straw borrowers” would never have to repay the “loans.” Indeed, many of the “straw borrowers” were relatives or associates

of Fouquet and **HARPER** and Fouquet, among others, agreed to utilize these individuals for the new FCB “loans” as a measure to conceal the true status of the original loans from FCB and others, which were rapidly becoming delinquent, and to assist Fouquet and his companies from becoming insolvent. Once these new “loans” to the “straw borrowers” were finalized, **HARPER**, as FCB loan officer, President, and CEO, disbursed funds to pay off the original loans.

Moreover, once the first set of these sham loans became due, because new homebuyers of sufficient credit could not be identified, more “straw borrowers” were used by **HARPER**, Fouquet, and others to sign up for additional loans to pay off the first set of sham loans. Again, in each instance, it was understood by **HARPER**, Fouquet, and others, that these “straw borrowers” would never have to repay these new loans and the stated purpose for these new loans – to purchase and construct a house – was entirely false. **HARPER**, Fouquet, and others continued engaging in the pattern of using “straw borrowers” on multiple occasions between 2005 and 2009.

Fraudulent Check Payments

Additional evidence, including documentary and testimonial evidence, would be introduced to prove that, on at several occasions in 2008 and 2009, **HARPER** and Fouquet had conversations about the need to make minimum monthly payments on some of the loans in the name of Fouquet, his companies, or the “straw borrowers,” to avoid delinquency of these loans. Instead of letting these loans become delinquent, Fouquet would present insufficient checks to **HARPER** at FCB, who would, in turn, credit the loan(s) the check was purportedly making payment on. Once **HARPER** was informed that the check presented by Fouquet had insufficient funds supporting it, **HARPER** should have reversed the loan payment made, however, in these instances, **HARPER** did not, in fact, reverse the loan payment. Accordingly, the loans “paid” by these insufficient checks appeared, in

FCB's books and records, to be current when, in fact, they were delinquent.

As an example, on or about March 31, 2009, a Team Management check drawn on Regions Bank in the amount of \$18,507.96 made payable to "TRISA, LLC" was caused to be presented by Fouquet to FCB, even though Fouquet knew there was not sufficient funds in the Regions Bank account to cover this check. On or about that same day, March 31, 2009, **HARPER** or others acting under his direction and control at FCB, accepted this check and applied the proceeds of it to, among others, fourteen (14) loans in the name of Team Management, making entries in FCB's records reflecting the status of these loans as "current." Several days later, on or about April 3, 2009, the March 31 Team Management check was returned by Regions Bank for non-sufficient funds. Despite knowing this check was insufficient, **HARPER** never changed, or instructed anyone at FCB to change, the status of the fourteen loans this check was applied to, thereby giving the false impression that these loans were "current," when, in fact, they were delinquent.

Losses Suffered by First Community Bank

The fraudulent actions noted above resulted in, among other things, losses by FCB, as well as a false call report issued by FCB in 2009 which ultimately impacted an application submitted to TARP, a program run by the United States.

Documentary and testimonial evidence, including financial information from FCB employees and auditors, would be introduced to prove that, as a result of the misconduct noted above committed by **HARPER**, Fouquet, and others, FCB had to hire auditors and/or consultants to investigate its books and records. Additionally, as a result of the misconduct noted above, The Louisiana Office of Financial Institutions, as well as the Federal Deposit Insurance Corporation, undertook an investigation and examination relating to FCB's books and records, ultimately recommending the

write-down of hundreds of thousands of dollars on loans, including the Fouquet-related loans noted above. In addition, documentary and testimonial evidence, including financial information from FCB employees and auditors, would be introduced to prove that, as a result of the misconduct noted above committed by **HARPER**, Fouquet, and others, FCB ultimately sold some of the Fouquet-related loans to an investment group at a substantial net loss. The misconduct of **HARPER**, Fouquet, and others noted above, caused substantial losses at FCB.

Financial records, bank records, loan files, and other documents would further be introduced and admitted to prove the facts set forth above. Additionally, testimonial evidence, including testimony from current and former FCB employees, testimony from various auditors and regulators of FCB, testimony from the various “straw borrowers” and other associates of **HARPER** and Fouquet, and testimony from special agents of the Office of the Special Inspector General - Troubled Asset Relief Program and the Federal Bureau of Investigation, would also be admitted to prove the facts set forth above.

MATTHEW S. CHESTER
Assistant United States Attorney
Texas Bar No. 24045650

Date

T. JAY SEALE, ESQ.
Attorney for the Defendant
La. Bar Roll No. 11901

Date

REGINALD R. HARPER
Defendant

Date