FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of	)	
LARRY B. FAIGIN and JOHN J. LANNAN, individually and as former institution-affiliated parties of	)	FDIC-11-269e FDIC 11-270k FDIC-11-252e
FIRST BANK OF BEVERLY HILLS CALABASAS, CALIFORNIA	)	FDIC-11-254k
(INSURED STATE NONMEMBER BANK) (IN RECEIVERSHIP)	)	

NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION; NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES, FINDINGS OF FACT AND CONCLUSIONS OF LAW; ORDERS TO PAY; AND NOTICE OF HEARING

The Federal Deposit Insurance Corporation (FDIC), has determined that Larry B. Faigin and John J. Lannan (collectively, Respondents), individually and as former institution-affiliated parties of First Bank of Beverly Hills, Calabasas**,** California (in receivership)(Bank), have each directly or indirectly participated or engaged in unsafe or unsound banking practices or acts, omissions, or practices, which constitute breaches of their fiduciary duties; that the Bank has suffered financial loss or other damage and the interests of its depositors have been prejudiced; and that such practices and breaches of fiduciary duty demonstrate Respondents' continuing disregard for the safety or soundness of the Bank. Specifically with respect to Lannan, he also

received financial gain or other benefit by reason of such practices and breaches of fiduciary duty. The FDIC, therefore, institutes this proceeding for the purpose of determining whether an appropriate order should be issued against Respondents under the provisions of 12 U.S.C. § 1818(e) prohibiting Respondents from further participation in the conduct of the affairs of any insured depository institution or organization listed in 12 U.S.C. § 1818(e)(7)(A) without the prior written approval of the FDIC and such other appropriate Federal financial institutions regulatory agency, as that term is defined in 12 U.S.C. § 1818(e)(7)(D).

The FDIC, further being of the opinion that Respondents, individually and as former institution-affiliated parties of the Bank, have each recklessly engaged in unsafe or unsound practices in conducting the affairs of the Bank or breached their fiduciary duties; and that such practices and breaches were a part of a pattern of misconduct that caused a substantial loss to the Bank, and resulted in pecuniary gain or other benefit specifically to Lannan, hereby assesses civil money penalties in the amounts set forth in the accompanying Orders to Pay pursuant to the provisions of 12 U.S.C. § 1818(i).

The allegations that follow demonstrate that Respondents recklessly engaged in unsafe or unsound practices or breaches of fiduciary duty with continuing disregard for the safety or soundness of the Bank when they failed to act as prudent bank directors or take appropriate steps to mitigate the risks of shifting the Bank's lending strategy to making larger and riskier loans and approving loans with significant underwriting deficiencies. Those loans resulted in substantial losses to the Bank. Respondents exacerbated the already inherently risky nature of acquisition, development, and construction (ADC) lending by failing to ensure the Bank was properly staffed with people with the knowledge and experience necessary to properly underwrite ADC loans. Respondents' behavior was all the more reckless because they were embarking on this new area

of lending at a time when the Bank and/or its holding company was increasing its risk profile in other ways.

The FDIC hereby issues this NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION (Notice) pursuant to 12 U.S.C. § 1818(e) and this NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES; FINDINGS OF FACT AND CONCLUSIONS OF LAW; ORDERS TO PAY; AND NOTICE OF HEARING (Notice of Assessment) pursuant to 12 U.S.C. § 1818(i) and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308, and alleges as follows:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

I. The FDIC has jurisdiction over this matter.

1. At all times pertinent to this proceeding until its failure on April 24, 2009, the Bank was a corporation existing and doing business under the laws of the State of California with its principal place of business in Calabasas, California. The Bank was, at all times pertinent to this proceeding, and until its failure, an insured State nonmember bank, subject to the Federal Deposit Insurance Act, 12 U.S.C.§§ 1811-1831aa, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III; and the laws of the State of California.

2. On or about April 26, 2001, Faigin became a member of the Board of Directors of the Bank. On or about March 7, 2006, he executed an employment agreement to serve as Chief Executive Officer (CEO) and President of the Bank.

3. Beginning on or about March 7, 2006, Faigin served on both the Officers' Loan Committee (OLC) and Directors' Loan Committee (DLC).

4. Faigin was also a member of the board of the Bank's holding company, Beverly Hills Bancorp, Inc. (BHBC) beginning 1999. Between March 2006 and February 2008, he owned

at least 1.2 percent of the outstanding shares of BHBC.

5. On or about June 2003, Lannan became a member of the Board of Directors of the Bank and sometime thereafter he became a member of the DLC.

6. Lannan was also a member of BHBC's Board of Directors beginning in or around May 2004. Between March 2006 and February 2008, Lannan owned at least 2.4 percent of the outstanding shares of BHBC.

7. At all times pertinent to the charges herein, Respondents were "institution-affiliated parties" as that term is defined in 12 U.S.C. § 1813(u) and for purposes of 12 U.S.C. §§ 1818(e)(7), 1818(i), and 1818(j).

8. The FDIC has jurisdiction over the Bank, Respondents, and the subject matter of this proceeding.

II. Respondents' misconduct warrants their removal and/or prohibition and the assessment of civil money penalties.

9. At all times pertinent to this proceeding, the Bank was a wholly-owned subsidiary of BHBC, a bank holding company that was incorporated in 1996.

10. Prior to August 2004, BHBC was known as Wilshire Financial Services Group, Inc.

11. The Bank was insured as a federally-chartered thrift on December 23, 1980 under its former name, Girard Savings and Loan Association.

12. The Bank changed its name to First Bank of Beverly Hills, FSB in 1997 and to First Bank of Beverly Hills on September 1, 2005.

13. The Bank was headquartered in Calabasas, California. Until November 2006, the Bank's primary retail branch was located in Beverly Hills, California (the Beverly Hills Branch). In or around March 2005, the Bank opened a second retail branch in Calabasas, California (the

Calabasas Branch).

14. When the Bank sold its Beverly Hills Branch in November 2006, the Calabasas Branch was the only remaining branch.

15. As of December 31, 2008, the Bank had total assets of $1.5 billion and was in troubled condition.

16. The Bank applied to convert from a federally-chartered thrift institution to a California state-chartered bank in November 2004.

17. The Board of Directors of the Bank believed a California state charter provided more flexibility with respect to the Bank's business strategy.

18. The California Department of Financial Institutions (DFI or State) approved the charter conversion in April 2005 subject to a number of conditions, including that a capital infusion of not less than $10 million be made to the Bank and that the Bank maintain a minimum ratio of tangible shareholder's equity to total tangible assets of not less than eight percent for three years following conversion.

19. The capital infusion was accomplished on August 25, 2005 through a capital contribution by BHBC of approximately $2.2 million in cash and $7.8 million in forgiveness of a tax liability.

20. The charter conversion was effective on September 1, 2005.

21. The Bank failed on April 24, 2009, and no assuming institution could be located.

A. Respondents imprudently engaged in risky lending.

22. Prior to its conversion to a State charter, the Bank focused its business strategy on loans generally in amounts of $5 million or less secured by stabilized income-producing property.

23. Shortly after the charter conversion, Respondents caused the Bank to begin to shift

its lending strategy from a focus on loans secured by stabilized income producing properties to adding larger and riskier ADC loans.

24. The written business plan contemplated a continued emphasis on income-producing property while merely introducing new ADC loan products.

Respondents endorsed a plan to pursue a riskier lending strategy without ensuring that the Bank had the appropriate infrastructure in place to do so in a safe and sound manner.

25. Prior to 2006, the Bank made few, if any, ADC loans.

26. ADC lending has inherent risks and requires specific knowledge and experience to underwrite properly.

27. After making the decision to enter the ADC market, Respondents failed to ensure that the Bank had the adequate expertise to support a safe and sound ADC lending program.

28. Neither executive management nor the vast majority of the Bank's underwriting staff had the requisite knowledge and experience to properly underwrite ADC loans.

29. Although Respondent Faigin himself had significant experience making construction loans, neither Respondent had experience underwriting ADC loans.

30. The failure to provide sufficient underwriting expertise to the Bank's new line of business was a serious detriment to maintaining a safe and sound loan portfolio and substantially increased the Bank's risk profile.

Respondents approved the purchase of a $117.1 million participation in eight ADC loans.

31. By mid-2006, the Bank was far from keeping pace with its target for the volume of loans called for in the 2006 business plan.

32. In or around June 2006, Respondent Lannan brought to the Board's attention the opportunity to purchase up to 90 percent participations in a package of large ADC loans from an originating bank (Originator).

33. The participation package that was eventually approved by Respondents on September 25, 2006, included eight loan commitments totaling $117.1 million (the Deal).

34. Specifically, Respondents approved the purchase of the following loans:

a) Vineyard South, LLC (Vineyard South) Loan No. ******* - an 89 percent participation, or $21.5 million of a $24 million loan, to take out the original lender on a ninety-four home development in Coachella, California;

b) Monteverde Development Company (Monteverde 30907) Loan No. ****** - an 88.9 percent participation, or $8 million of a $9 million loan, to re-finance the borrower's 2004 acquisition of twenty-three acres of land in Santa Clarita, California previously used as a mule farm for potential development at some future time;

c) Sepulveda Boulevard, 35, LLC (Sepulveda) Loan No. ******* – a 90 percent participation, or $10.8 million of a $12 million loan, to finance the development of a thirty-one unit condominium complex in Sherman Oaks, California;

d) Monteverde Development Company Loan No. ******* - a 29.2 percent participation, or $13 million of a $44.6 million loan, to finance the re-structuring of ownership of a residential lot development project in Santa Clarita, California;

e) Otay Ranch JC R-7, LLC Loan No. ***** - an 89 percent participation, or $21.5 million of a $24.2 million loan, to fund a construction line of credit to build forty-eight single-family residences in Chula Vista, California;

f) Schaefer Property, LLC Loan No. ****** - an 89.6 percent participation, or $21.5 million of a $24 million loan, to fund the third phase of a condominium development in Chino, California;

g) Nevis Cypress, LLC Loan No.****** - a 54.8 percent participation, or $10.8 million of a $19.7 million loan, to build a 63-unit condominium project in Cypress, California; and

h) 92 Magnolia, LLC Loan No. ******* - an 89 percent participation, or $10 million of an $11.2 million loan, for the construction of a 63-condominium unit project in Riverside, California that had originally been due to be completed in June 2006.

35. Although the Bank purchased participation interests as high as 90 percent, Originator remained the lead bank.

36. The Bank's total commitment of $117.1 million represented 86 percent of the Bank's Total Capital at that time.

37. The Deal was the largest loan package ever considered by the Bank's Board.

38. The Deal represented the Bank's first significant ADC lending effort.

39. Throughout the summer of 2006, the CLO and one of his loan officers were initially charged with reviewing the Deal, including acquiring from Originator copies of all relevant loan records.

40. The underwriting side of the Bank had little or no involvement with reviewing the Originator loans during the summer of 2006.

41. Sometime in early September 2006, Faigin became dissatisfied with the lack of progress so he contacted the Chief Credit Officer (CCO) and put her in charge of completing the Bank's review of the Deal.

42. Faigin told the CCO she had about ten days to complete due diligence on the Deal.

43. The CCO indicated to Faigin that, within that tight deadline, the only document Bank staff could produce would be an executive summary of the credit memoranda drafted by Originator at origination.

44. Prudent banking practice, as well as the Bank's own written loan policies, required that a participation loan be subjected to the same level of scrutiny and analysis the Bank would apply to a loan origination.

45. In contravention of prudent banking practice and the Bank's loan policy, Faigin authorized and agreed to accept just a short summary for the Deal instead of the complete written analysis provided in other cases.

46. On or about Wednesday, September 20, 2006, Respondents received the following documents to review:

a. a two-and-a-half-page overview of the terms of the proposed deal (Deal Overview);

b. a two-to-three-page write-up (Executive Summary) for each of the eight loans with attached copies of recent photographs of the subject properties;

c. a copy of the original credit memorandum prepared by Originator staff at the time of loan origination for each of the eight loans.

47. Each Executive Summary followed the same format and contained the same three headings:

a. “Absorption Data”;

b. “Field Inspection”; and

c. “Recommendation”.

48. Each Executive Summary contained little or no independent analysis of the information contained in the original Originator credit memorandum or other loan documents provided to the Bank.

49. The abbreviated format of the Executive Summary did not call for detailed evaluation of the loan. For example, it did not require an evaluation of the strengths or weaknesses of the original appraisal, support for whether stale-dated appraisals remained valid, or an updated analysis of a borrower’s or guarantor’s ability to repay the loan.

50. The abbreviated format of the Executive Summary did not call for underwriters to highlight risks or weaknesses of the credits.

51. In the Executive Summaries, the underwriter did not highlight risks or weaknesses of the credits.

52. The Executive Summaries did not provide the Board with the quantum and quality of independent underwriting analysis that the Respondents should have received, and typically did receive, in connection with their review and approval of loans.

53. The Executive Summaries failed to demonstrate that independent analysis and due diligence were performed by Bank personnel.

54. After receiving the Deal materials, the Board Chairman expressed to Faigin serious concerns about the deal as a whole as well as about at least five of the eight underlying loans.

55. More specifically, because the Chairman would not be able to attend the Board meeting convened to act on the Deal, the Chairman dictated to the Board's secretary an e-mail to Faigin, the CCO, and the CLO on September 22, 2006 (the e-mail).

56. The e-mail expressed concerns that "there are lots of questions to be answered and he doesn't think anyone in [the] Bank understands [the] details [of the loans] based on [the] paperwork" and that "the knowledge base is not sufficient to make decision[s] on a number of loans."

57. The e-mail also asked questions or expressed reservations about individual loans or groups of loans within the total package.

58. Faigin responded to the e-mail with copies to the rest of the Board, including Lannan, giving his assurances "that all of your issues [will be] addressed for the Board, and a written response, either in the minutes or by separate memo, [will be] made to your issues."

59. The meeting to vote on the Deal nevertheless proceeded in the Chairman's absence.

60. In the absence of the Chairman, Faigin chaired the meeting.

61. The minutes reflect that the meeting lasted just one hour.

62. The minutes did not address the Chairman's general concerns about the lack of understanding or knowledge about the Deal.

63. The minutes did not adequately address all of the Chairman's loan-specific concerns.

64. There was no separate memorandum or other written document addressing the Chairman's concerns.

65. Respondents approved the Deal in spite of significant gaps and other "red flags" that were apparent in the documents they received or should have been apparent based on the abbreviated underwriting process evident from those documents.

66. The Sepulveda loan had several underwriting deficiencies including, but not limited to, the fact that there was a discrepancy in the materials Respondents received with respect to the amount of a mezzanine loan. From the materials, it was unclear whether the mezzanine loan amount was $1.562 million or $3.859 million.

67. Similarly, the Vineyard South loan suffered from several underwriting deficiencies including, but not limited to, that the abbreviated underwriting process obscured the fact that the property was on an earthquake fault line even though the original appraisal commissioned by Originator made numerous references to an earthquake fault hazard zone and recommended further seismic study.

68. If the Bank had underwritten the Vineyard South loan as thoroughly as if the Bank were originating the loan, the Bank should have ordered a seismic study prior to approval because Originator had not.

69. Monteverde 30907 exhibited underwriting deficiencies including, but not limited to, the fact that the documents provided to the Respondents relied on financials from June 2004 (approximately 27 months old) that failed to provide an adequate basis for evaluating the guarantors' current ability to repay.

70. The executive summary and accompanying materials that the Respondents received for the Otay Ranch loan presented unresolved issues that the Respondents should have had Bank staff resolve before approving purchasing the loan.

71. In addition, other loans in the Deal had similar or additional underwriting deficiencies including, but not limited to, stale appraisals or financials, internal inconsistencies, and substantial discrepancies between the percentage of loan proceeds disbursed and the status of the project.

72. In addition to overlooking red flags in the documents, Respondents did not properly evaluate the risks of allowing and funding an interest reserve on vacant or undeveloped land.

73. Respondents routinely allowed the Bank to use interest reserves to keep loans current.

74. Respondents failed to consider and appropriately resolve the red flags in the loan documents Respondents received prior to their approval of the Deal.

75. The Bank and Originator executed participation agreements for each of the eight Originator loans on or about October 25, 2006.

76. On November 30, 2006, Faigin, along with the other directors except Lannan, approved a $75,000 referral fee to be paid to Lannan in connection with the Deal.

77. At the time of the September 25, 2006 Board meeting, Faigin knew, or had reason to know, that Lannan was eligible to receive a referral fee for his role in referring the Deal to the Bank.

78. Lannan had an expectation of receiving a referral fee when he participated in the approval of the Deal.

79. Lannan participated in the discussion and approval of the Deal.

80. Seven of the eight Originator loans caused losses of at least $44.6 million.

81. By accepting the referral fee payment after participating in the approval of the Deal, Lannan breached his fiduciary duty to the Bank.

Even after approval of the Deal, Respondents continued to approve additional unsafe or unsound ADC loans that caused loss to the Bank.

82. Shortly after the Deal was completed, on or about October 31, 2006, the Bank hired Originator's Executive Vice President – Head of Real Estate as its new Executive Vice President and CLO.

83. The new CLO had worked at Originator during the time the Deal was being negotiated between the Bank and Originator, and he approved the sale of the Deal to the Bank.

84. The new CLO brought some loan officers from Originator with him to the Bank.

85. Even with the addition of the new CLO and some loan officers with ADC lending experience, no additional underwriting staff with ADC experience was hired.

86. Without the Bank's having the necessary underwriting ADC experience, Respondents continued to approve unsafe or unsound ADC loans that should not have been approved based upon the materials reviewed by Respondents.

87. On December 19, 2006, in a fifteen-minute telephonic meeting of the Board, Respondents approved a $17.9 million loan to Las Vegas 215, LLC and Apache Dream, LLC (Las Vegas 215) (Loan No********) to refinance the acquisition of a vacant parcel of land in Las Vegas, Nevada; that loan had a number of inconsistencies and "red flags" and created a substantial risk of loss for the Bank.

88. On January 17, 2007, Respondents approved a $29 million loan to Las Vegas Mobil 18, LLC (Las Vegas Mobil) (Loan No*******) to pay off existing debt, fees, and costs and to fund an interest reserve for 24 months; that loan had a number of inconsistencies and other "red flags" and resulted in a loss of approximately $10.5 million.

89. On May 29, 2007, Respondents, in their capacity as members of the DLC, approved an $11.5 million loan to 30 Dore Street, LLC (30 Dore) Loan No. ******* to re-finance and complete construction of a condominium building in San Francisco, California; that loan had a number of inconsistencies and other "red flags" and resulted in a loss of approximately $6.9 million.

90. Respondents continued to approve unsafe or unsound ADC loans in the absence of adequate ADC underwriting experience at least as late as July 20, 2007.

91. Respondents approved a $15 million loan to Acacia Investors, LLC Loan No. ****** on July 20, 2007 to refinance the acquisition of land and to obtain final approval and entitlements for a 468-unit condominium development in Carlsbad, California.

92. Although the Bank did not recognize a loss on the Acacia loan prior to its failure, the underwriting deficiencies, including open questions about who would pay for a required bridge connecting parts of the property, created a substantial risk of loss for the Bank.

Respondents engaged in risky ADC lending despite the Bank's increasing risk profile.

93. ADC loans are generally riskier than loans secured by stabilized income-producing properties.

94. At a time when the Bank was undertaking an inherently riskier lending strategy, Respondents had a duty to adequately manage the risks and take appropriate action to mitigate those risks.

95. The Respondents caused the Bank's ADC loan commitments to increase from 6.8 percent of the Bank's gross loans and commitments to 32.4 percent in the twelve months through June 30, 2007.

96. During 2006 and 2007, Respondents endorsed a plan to start making substantial loans outside the Bank's area of lending expertise, and approved the loans referred to herein, at the same time as the Bank's risk profile was increasing in other ways such as:

i. Lacking an adequate liquidity contingency plan while funding the lending portfolio primarily with volatile wholesale deposits and selling of the Beverly Hills Branch – the Bank's primary source of core deposits.

ii. Making significant dividend payments to BHBC.

iii. Conducting a stock repurchase at the BHBC level that reduced BHBC's ability to act as a source of financial strength to the Bank.

NOTICE OF INTENT TO PROHIBIT FROM FURTHER PARTICIPATION

97. Paragraphs 1 through 96 are re-alleged and incorporated herein by reference.

98. By reason of Respondents' foregoing acts, omissions, and practices, Respondents have engaged in unsafe or unsound practices.

99. As a result of the foregoing acts, omissions, or practices, Respondent Faigin has breached his fiduciary duty as an officer and director of the Bank, and Respondent Lannan has breached his fiduciary duty as director of the Bank.

100. As a result of Respondents' foregoing acts, omissions, practices, or breaches, the Bank suffered a loss of approximately $62 million.

101. As a result of Respondents' foregoing acts, omissions, practices, or breaches, the Bank faced a substantial risk of additional loss.

102. As a result of Respondents' foregoing acts, omissions, practices, or breaches, Respondent Lannan received financial gain or other benefit of at least $75,000.

103. As a result of Respondents' foregoing acts, omissions, practices, or breaches, the

interests of the Bank's depositors have been prejudiced.

104. Respondents' foregoing acts, omissions, practices, or breaches demonstrate a continuing disregard for the safety or soundness of the Bank.

NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES, FINDINGS OF FACT, AND CONCLUSIONS OF LAW

105. Paragraphs 1 through 96 are re-alleged and incorporated herein by reference and constitute FINDINGS OF FACT AND CONCLUSIONS OF LAW for the purposes of this NOTICE OF ASSESSMENT.

106. By reason of Respondents' foregoing acts, omissions, or practices, Respondents have recklessly engaged in unsafe or unsound practices.

107. Respondent Faigin has breached his fiduciary duty as an officer and director of the Bank, and Respondent Lannan has breached his fiduciary duty as director of the Bank.

108. The practices or breaches as specified in paragraphs 1 through 94 were part of a pattern of misconduct that caused loss to the Bank in the amount of approximately $62 million and substantial risk of loss, prejudiced the interests of depositors, and led to pecuniary gain to Lannan in the amount of at least $75,000.

ORDER TO PAY

109. By reason of recklessly engaging in unsafe or unsound practices or breaches of fiduciary duty that were part of a pattern of misconduct that caused loss to the Bank, and resulted in pecuniary gain with respect to Lannan as set forth in the NOTICE OF ASSESSMENT, the FDIC has concluded that civil money penalties should be assessed against Respondents pursuant to 12 U.S.C. § 1818(i)(2)(C).

110. After taking into account the appropriateness of the penalties with respect to the size of financial resources and good faith of the Respondents, the gravity of the practices or

breaches, the history of previous unsafe or unsound practices or breaches of fiduciary duty, and other matters as justice may require, it is:

ORDERED, that by reason of the practices and breaches of fiduciary duty set forth above, penalties be and hereby are assessed against Respondents

pursuant to 12 U.S.C. § 1818(i)(2)(C) as follows:

a) against Respondent Faigin, a penalty of $85,000;

b) against Respondent Lannan, a penalty of $75,000.

FURTHER ORDERED, that the effective date of this ORDER TO PAY be, and hereby is, stayed until 20 days after the date of receipt of the NOTICE OF ASSESSMENT by Respondents, during which time each of the Respondents may file an Answer and Request for Hearing pursuant to 12 U.S.C. § 1818(i)(2)(G) and 12 C.F.R. § 308.19.

NOTICE OF HEARING

111. Notice is hereby given that a hearing shall commence sixty (60) days from the date of service of this NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION, or on such date as may be set by the Administrative Law Judge assigned to hear this matter at Los Angeles, California or at such other place as the parties to this proceeding and the Administrative Law Judge may agree, for the purpose of taking evidence on the charges herein specified, in order to determine whether a permanent order should be issued to prohibit Respondents from further participation in the conduct of the affairs of the Bank and any insured depository institution or organization enumerated in 12 U.S.C. § 1818(e)(7)(A) without the prior permission of the FDIC and the appropriate Federal financial institutions regulatory agency, as that term is defined in 12 U.S.C. § 1818(e)(7)(D).

112. The hearing will be public and in all respects conducted in accordance with the

Federal Deposit Insurance Act, the Administrative Procedure Act, 5 U.S.C. §§ 551-559, and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308. The hearing will be held before an Administrative Law Judge to be appointed by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105. The exact time and precise location of the hearing will be determined by the Administrative Law Judge.

113. Respondents Faigin and Lannan are hereby directed to file an answer to the NOTICE OF INTENTION TO PROHIBIT FROM FURTHER PARTICIPATION within twenty (20) days from the date of service, as provided by 12 C.F.R. § 308.19. Each of the Respondents is directed to file an answer to the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY within twenty (20) days from the date of service, as provided by 12 C.F.R. § 308.19. An original and one copy of all papers filed in this proceeding shall be served upon the Office of Financial Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, VA 22226-3500. Copies of all papers filed in this proceeding shall be served upon the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429; A.T. Dill, III, Assistant General Counsel, Enforcement Section, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429; and David A. Schecker, Regional Counsel, Federal Deposit Insurance Corporation, Boston Area Office, 15 Braintree Hill Office Park, Braintree, MA 02184.

Failure of a Respondent to request a hearing shall render the applicable civil money penalty assessed in this NOTICE OF ASSESSMENT final and unappealable pursuant to 12 U.S.C. § 1818(i)(E)(ii) and 12 C.F.R. § 308.19(c)(2).

Pursuant to delegated authority.

Dated at Washington, D.C., this 21st day of September, 2011.

/s/
Serena L. Owens
Associate Director
Division of Risk Management Supervision