

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

_____	)	
In the Matter of	)	Docket Nos. 09-191-B-I
	)	
Louis A. DeNaples,	)	
	)	
An Institution-Affiliated	)	Notice of Charges and of
Party of First National	)	Hearing Issued Pursuant to
Community Bancorp,	)	Section 8(b) of the
Dunmore, PA	)	Federal Deposit Insurance Act
and Urban Financial Group, Inc.,	)	(the "FDI Act")
Bridgeport, CT,	)	
	)	
Respondent.	)	
_____	)	

The Board of Governors of the Federal Reserve System (the "Board of Governors") is of the opinion that Louis A. DeNaples ("DeNaples"), an institution-affiliated party of First National Community Bancorp, Dunmore Philadelphia, a bank holding company ("First National"), and Urban Financial Group, Inc., Bridgeport, CT, a bank holding company ("Urban Financial"), is violating section 19 of the FDI Act, 12 U.S.C. § 1829, by his failure to resign his position as a director of First National and by his continuing to be a controlling shareholder of First National and Urban Financial following his agreement to enter into a pretrial diversion or similar program to resolve criminal charges that involved dishonesty or breach of trust.

Accordingly, the Board of Governors hereby institutes this proceeding by issuing this Notice of Charges and of Hearing (the "Notice") for the purpose of determining whether an appropriate order to cease and desist should be issued requiring Respondent DeNaples to take affirmative action to correct or remedy the conditions resulting from his violations.

In support of this Notice, the Board of Governors alleges the following:

### **JURISDICTION**

1. First National is a registered bank holding company that controls First National Community Bank, Dunmore, PA, a national bank. Accordingly, the Board is the appropriate Federal banking agency to bring charges against institution-affiliated parties of First National within the meaning of section 3(q) of the FDI Act, 12 U.S.C. §§ 1813(q).

2. Urban Financial is a registered bank holding company that controls The Community's Bank, Bridgeport, CT, a state nonmember bank. Accordingly, the Board is the appropriate Federal Banking Agency to bring charges against institution-affiliated parties of Urban Financial within the meaning of section 3(q) of the FDI Act, 12 U.S.C. §§ 1813(q).

3. Respondent DeNaples is chairman, a director and a controlling shareholder of First National and is therefore an institution-affiliated party of the First National, as defined by sections 3(u)(1) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u)(1), 1818(b)(3)), and subject to the jurisdiction of the Board of Governors, including the Board of Governors' authority to issue cease and desist orders pursuant to section 8(b) of the FDI Act, 12 U.S.C. § 1818(b).

4. Respondent DeNaples is a controlling shareholder of Urban Financial and is therefore an institution-affiliated party of Urban Financial, as defined by sections 3(u)(1) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u)(1), 1818(b)(3)), and subject to the jurisdiction of the Board of Governors, including the Board of Governors' authority to issue cease and desist orders pursuant to section 8(b) of the FDI Act, 12 U.S.C. § 1818(b).

### **APPLICABLE STATUTORY PROVISIONS**

5. Section 19 of the FDI Act (12 U.S.C. § 1829) prohibits, without the prior consent of the Board of Governors, any person who has been convicted of any criminal offense involving dishonesty or a breach of trust, or has agreed to enter into a pretrial diversion or similar program

in connection with a prosecution for such offense, from (i) becoming, or continuing as, an institution-affiliated party with respect to any bank holding company, (ii) owning or controlling, directly or indirectly, any bank holding company, or (iii) otherwise participating, directly or indirectly, in the conduct of the affairs of any bank holding company.

### **FACTUAL ALLEGATIONS**

6. On January 30, 2008, the District Attorney of Dauphin County, Pennsylvania filed a criminal complaint against Louis DeNaples, arising from a presentment of the Fourth Dauphin County Investigating Grand Jury, filed January 23, 2008, recommending that Respondent DeNaples be charged with four counts of perjury in connection with his licensing application to open a Pennsylvania gaming and slots facility (the “Casino”).

7. On April 15, 2009, Respondent DeNaples and the Dauphin County District Attorney entered into an Agreement for Withdrawal of Charges (the “Agreement”). The Agreement is attached to this Notice as an exhibit.

8. The Agreement provides that Respondent DeNaples was required, among other things (i) to irrevocably transfer all of his right, title and interest in the assets and business of the Casino to a trust for the benefit of another person (his daughter) and over which he could have no control, (ii) to transfer all profits Respondent DeNaples earned from the Casino during the suspension of his gaming license, (iii) not to exercise any legal control over the Casino or the trust to which the Casino had been transferred, (iv) to pay the costs of prosecution by the Dauphin County District Attorney, and (v) to provide quarterly reports to the Dauphin County District Attorney concerning Respondent DeNaples’s compliance with the Agreement.

9. The Agreement provides that, upon agreement by Respondent DeNaples to the terms of the Agreement, the Dauphin County District Attorney would withdraw all pending criminal charges set forth in the Criminal Complaint.

10. The Agreement provides that, upon a material breach of any term of the Agreement by Respondent DeNaples, all and any counts of the Criminal Complaint may be re-filed and the related proceedings re-instated. Respondent DeNaples waived any statute of limitations or speedy trial defenses if the charges are subsequently reinstated.

11. On April 16, 2009, the Dauphin County District Attorney sought and received permission from the Court of Common Pleas of Dauphin County, Pennsylvania to enter a *nolle prosequi* with respect to the charges set forth in the Criminal Complaint.

12. At the present time, Respondent DeNaples owns approximately 10.26% of the voting shares of First National, a company whose shares are publicly traded, and is a member of a group acting in concert that owns in the aggregate approximately 19.87% of the voting shares of First National. The group acting in concert (including Respondent DeNaples) was required to and has previously filed notices of change in bank control under the Change in Bank Control Act, 12 U.S.C. § 1817(j), with the Federal Reserve. As a result of his personal shareholdings and the shareholdings of the group acting in concert, Respondent DeNaples owns or controls First National within the meaning of 12 U.S.C. § 1829(a)(1)(A)(ii).

13. Following issuance of the criminal complaint in January 2008, on February 7, 2008, First National announced that Respondent DeNaples was taking a temporary leave of absence as chairman and a director of First National and its subsidiary bank. First National subsequently announced that it had been notified by the Federal Reserve Bank of Philadelphia that Respondent DeNaples had been suspended from his office by the Office of the Comptroller

of the Currency as a result of the Criminal Charges. Respondent DeNaples remains a Class A director of First National whose term as a director will not expire until the 2011. Since the withdrawal of the charges in April 2009, First National has not announced that Respondent DeNaples has resigned as chairman and a director. Currently, First National continues to have an "acting" chairman.

14. As of the date of this Notice, Respondent DeNaples owns approximately 45% of the voting shares of Urban Financial, and is its largest shareholder. As a result of these shareholdings, Respondent DeNaples owns or controls Urban Financial within the meaning of 12 U.S.C. § 1829(a)(1)(A)(ii).

15. As of the date of this Notice, Respondent DeNaples has not sought or received the permission of the Board of Governors to be an institution-affiliated party or otherwise to own or control First National, Urban Financial, or any other bank holding company.

#### **VIOLATIONS OF LAW**

16. By reasons of the facts alleged in paragraphs 6 through 15, Respondent DeNaples violated the provisions of Section 19 of the FDI Act, 12 U.S.C. § 1829, in that (i) by executing the Agreement, he agreed to enter into a pretrial diversion or similar program in connection with a prosecution for perjury, a criminal offense involving dishonesty or a breach of trust, and (ii) after entering such agreement, and without the prior written consent of the Board of Governors of the Federal Reserve System, he continued as an institution-affiliated party of First National and Urban Financial and owned or controlled First National and Urban Financial.

#### **RELIEF REQUESTED**

17. Notice is hereby given that a hearing will be held on January 21, 2010 at the United States District Courthouse for the Middle District of Pennsylvania, or any other place

designated by the presiding officer, for the purpose of taking evidence on the charges hereinbefore specified in order to determine whether an appropriate order to cease and desist should be issued under section 8(b) of the FDI Act and to require Respondent DeNaples to take affirmative action to correct the condition resulting from his violation by (i) resigning his position of director of First National upon the effective date of the Order, (ii) submitting to the Board of Governors within thirty days of the effective date of the Order an acceptable plan for the prompt divestiture of his controlling shareholdings in First National, and (iii) submitting to the Board of Governors within thirty days of the effective date of the Order an acceptable plan for the prompt divestiture of his controlling shareholdings in Urban Financial.

#### **PROCEDURES GENERALLY**

18. The hearing referred to in paragraph 17 above shall be held before an administrative law judge to be appointed from the Office of Financial Institution Adjudication (“OFIA”) pursuant to section 263.54 of the Board of Governors’ Rules of Practice for Hearings, 12 C.F.R. §§ 263.1-263.56 (“Rules of Practice”) (12 C.F.R. § 263.54). The hearing shall be public, unless the Board of Governors determines that a public hearing would be contrary to the public interest, and in all other aspects shall be conducted in compliance with the provisions of the FDI Act and the Rules of Practice.

#### **Answer to Charges and Request for Private Hearing**

19. Respondent DeNaples is hereby directed to file an answer to this Notice within 20 days of service of the Notice, as provided in section 19 of the Rules of Practice (12 C.F.R. § 263.19) with the OFIA. Respondent DeNaples is encouraged to file any answer to this Notice by electronic mail with the OFIA at [ofia@fdic.gov](mailto:ofia@fdic.gov). Pursuant to section 263.11(a) of the Rules of Practice (12 C.F.R. § 263.11(a)), any answer filed with the OFIA shall also be

served on the Secretary of the Board of Governors, 20<sup>th</sup> Street and Constitution Ave., N.W., Washington, DC 20551. As provided in section 263.19(c)(1) of the Rules of Practice (12 C.F.R. § 263.19(c)(1)), the failure by Respondent DeNaples to file an answer to this Notice within the time provided herein shall constitute a waiver of his right to appear and contest the allegations of the Notice, in which case the presiding officer is authorized, upon proper motion, to find the facts to be as alleged in this Notice and to file with the Secretary of the Board of Governors a recommended decision containing such findings and appropriate conclusions. Any final order issued by the Board of Governors based upon a failure to answer is deemed to be an order issued upon consent.

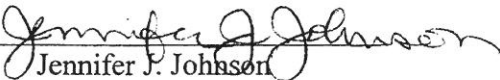
20. Respondent DeNaples may submit to the Secretary of the Board of Governors, within 20 days of the service of this Notice, a written statement detailing the reasons why the hearing described herein should not be public, as provided in section 33(a) of the Rules of Practice, 12 C.F.R. § 263.33(a). The failure to submit such a statement within the aforesaid period shall constitute a waiver of any objection to a public hearing.

**Delegation of Authority**

21. Authority is hereby delegated to the Secretary of the Board of Governors to designate the time and place and presiding officer for any hearing that may be conducted on this Notice and to take any and all actions that the presiding officer would be authorized to take under the Rules of Practice with respect to this Notice and any hearing to be conducted thereon, until such time as a presiding officer shall be designated.

Dated at Washington, DC, this ~~23~~<sup>24</sup> day of November, 2009.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By:   
Jennifer J. Johnson  
Secretary of the Board