

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

AND

STATE OF MICHIGAN  
OFFICE OF FINANCIAL AND INSURANCE REGULATION

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In the Matter of	)	ORDER TO CEASE AND DESIST
	)	
MAIN STREET BANK	)	FDIC-08-116b
NORTHVILLE, MICHIGAN	)	
	)	
(Insured State Nonmember Bank)	)	

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Main Street Bank, Northville, Michigan ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under section 2304 of the Banking Code of 1999, Mich. Comp. Laws 487.12304 regarding hearings before the Office of Financial and Insurance Regulation for the State of Michigan ("OFIR"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and OFIR, dated July 10<sup>th</sup>, 2008, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices,

the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and OFIR.

The FDIC and OFIR considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and OFIR, therefore, accepted the CONSENT AGREEMENT and issued the following:

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices:

- A. Operating with management whose policies and practices were detrimental to the Bank and jeopardize the safety of its deposits.
- B. Operating with an inadequate level of capital protection for the kind and quality of assets held.
- C. Engaging in hazardous lending and lax collection practices.
- D. Operating in such a manner as to produce operating losses.
- E. Operating with an excessive level of adversely classified assets, delinquent loans, and nonaccrual loans.
- F. Operating with inadequate liquidity;

G. Operating with a less than adequate Allowance for Loan and Lease Losses ("ALLL").

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Each member of management shall be provided appropriate written authority from the Bank's board of directors to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this ORDER;

(ii) operate the Bank in a safe and sound manner;

(iii) comply with applicable laws and regulations; and

(iv) restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings,

management effectiveness, liquidity, and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Acting Chief Deputy Commissioner of the OFIR ("Commissioner") in writing of any changes in any of the Bank's directors or senior executive officers. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b), and includes any person identified by the FDIC and OFIR, whether or not hired as an employee, with significant influence over, or who participates in, major policymaking decisions of the Bank.

(d) Prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104. Further, the Bank shall request and obtain the Commissioner's written approval prior to the addition of any individual to the board of directors and the employment of any individual as a senior executive officer.

2. Within 30 days from the effective date of this ORDER, the Bank's board of directors shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER.

3. (a) As of August 31, 2008, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of 6%.

(b) As of December 31, 2008 the Bank shall raise its capital ratio to 9% and thereafter shall maintain its Tier 1 capital ratio at 9% for the life of this Order.

(c) For purposes of this ORDER, Tier 1 capital and total assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(d) Any subsequent increase in Tier 1 capital may be accomplished by the following:

- (i) The sale of common stock and noncumulative perpetual preferred stock constituting Tier 1 capital under Part 325; or
- (ii) The collection in cash or the sale of assets previously charged off; or
- (iii) The direct contribution of cash by the directors and/or the shareholders of the Bank; or

(iv) Any other means acceptable to the Regional Director and Commissioner; or

(v) Any combination of the above means.

(e) If all or part of any subsequent increase in capital required by this paragraph is to be accomplished by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429 and to the Commissioner, OFIR 611 West Ottawa Street, Lansing, Michigan 48933 for their review. Any changes requested to be

made in the materials by the FDIC or OFIR shall be made prior to their dissemination.

(f) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

4. From the effective date of this Order the Bank shall cease all lending activity, with the exception of loans made where the Bank has a pre-existing commitment from an unaffiliated third party for the outright purchase of the proposed loan, or a full (100%) participation of the proposed loan, without recourse or loss to the Bank. The Bank may resume lending once its Tier 1 leveraged capital ratio is above 6.0% and the Bank is in conformance with any strategic plan and written profit plan approved by the FDIC and OFIR.

5. The Bank shall not sell any asset in excess of one hundred thousand dollars (\$100,000) or sell any assets which in

the aggregate exceed one hundred thousand dollars (\$100,000), including assets that have been charged off , without the prior approval of the Regional Director and Commissioner.

6. The Bank shall not pay dividends without the prior written approval of the Regional Director and Commissioner.

7. (a) During the life of this ORDER, on a monthly basis, the board of directors of the Bank shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and accurately report the same. The minutes of the board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the board of directors shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC and OFIR.

(b) ALLL entries required by this paragraph shall be made prior to any Tier 1 capital determinations required by this ORDER.

8. (a) Within fifteen days from the effective date of this ORDER, the Bank shall develop, adopt and implement a written contingency funding plan, which shall identify alternative courses of action designed to meet the Bank's liquidity needs.



(b) The plan shall be acceptable to the Regional Director and Commissioner.

9. From the effective date of this Order, the Bank shall not amend its bylaws without the prior written approval of the Regional Director and Commissioner.

10. From the effective date of this Order the Bank shall not make any change to its accounting methods without the prior written approval of the Regional Director and Commissioner.

11. From the effective date of this Order the Bank shall not engage in any "covered transactions" as defined in section 23A of the Federal Reserve Act.

12. From the effective date of this Order the Bank shall not pay interest on new or renewed liabilities at a rate that will increase the Bank's weighted average cost of funds to a level significantly exceeding the prevailing rates of interests on insured deposits in the institutions' normal market area without the prior written approval of the Regional Director and Commissioner. A report documenting the calculations necessary to comply with this paragraph shall be approved by the Board on a monthly basis with such approval noted in the minutes of each Board meeting.

13. From the effective date of this Order the Bank shall not pay any bonus to any employee, officer or director without

the prior written approval of the Regional Director and Commissioner.

14. From the effective date of this Order the Bank shall not pay any "compensation" to any employee, officer, or director which is excessive. "Compensation" shall have the same meaning as defined in Appendix A to Part 364 of the FDIC's Rules and Regulations. The Bank shall follow the guidance in Appendix A Part 364 to determine if Compensation is excessive.

15. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy or description of this ORDER: (1) in conjunction with the Bank's next shareholder communication; and (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, notice or statement shall be sent to the FDIC Registration and Disclosure Section 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429 and to the OFIR 611 West Ottawa Street, Lansing, Michigan 48933 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and OFIR shall be made prior to dissemination of the description, communication, notice or statement.

16. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall

furnish to the Regional Director and Commissioner written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has, in writing, released the Bank from making further reports.

The effective date of this ORDER shall be 10 calendar days after its issuance by the FDIC and the OFIR.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and OFIR.

Pursuant to delegated authority.

Dated: July 22<sup>nd</sup>, 2008.

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Sylvia H. Plunkett  
Regional Director  
Chicago Regional Office  
Federal Deposit Insurance  
Corporation

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Peggy L. Bryson  
Acting Chief Deputy Commissioner  
Office of Financial and  
Insurance Regulation  
State of Michigan