FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF MICHIGAN

OFFICE OF FINANCIAL AND INSURANCE REGULATION

In the Matter of	)	ORDER TO CEASE AND DESIST
NORTHPOINTE BANK GRAND RAPIDS, MICHIGAN	)	FDIC-08-160b
(Insured State Nonmember Bank)	)	

Northpointe Bank, Grand Rapids, Michigan, ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law, rule, or regulation 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 September 18, 2008, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law, rule, or regulation, 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 they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had violated laws, rules, or regulations. 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 and violations of law, rule, or regulation:

A. Engaging in hazardous lending and lax collection practices, including, but not limited to:

- The failure to perform accurate cash flow analysis;
- The failure to obtain adequate collateral;

- The failure to establish and enforce prudent collateral margins of secured borrowers;
- The failure to establish and enforce an adequate loan grading system; and
- Extending credit with inadequate diversification of risk.

B. Operating with an inadequate level of capital protection for the kind and quality of assets held.

C. Violating laws, rules, or regulations, specifically, the charge-off requirements of section 4205 of the Michigan Banking Code of 1999, Mich. Comp. Laws § 487.14205.

D. Operating with an excessive level of adversely classified assets, delinquent loans, nonaccrual loans, and other real estate owned.

E. Operating with significant concentrations of credit.

F. Operating with inadequate liquidity in light of the Bank’s asset and liability mix.

G. Operating in such a manner as to generate inadequate earnings to support asset growth.

H. Operating with an inadequate allowance for loans and lease losses for the volume, kind, and quality of loans and leases held.

I. Failing to accurately file Reports of Condition and Income.

J. Operating with an inadequate strategic plan, profit plan, and budget.

K. Operating with an inadequate loan policy.

L. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

M. Operating with a board of directors which has failed to provide adequate supervision over and direction to the management of the Bank to prevent unsafe or unsound banking practices and violations of law, rule, or regulation.

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

1. (a) Within 30 days from the last day of each calendar quarter following the effective date of this ORDER, the Bank shall determine from its Report of Condition and Income its level of Tier 1 capital as a percentage of its total assets (“Tier 1 capital ratio”). If the Tier 1 capital ratio is less than 9.0 percent, the Bank shall, within 60 days of the date of the required determination, increase its Tier 1 capital ratio to not

less than 9.0 percent, calculated as of the end of that preceding quarterly period. 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.

(b) Any such 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 elimination of all or part of the assets classified "Loss" as of February 11, 2008, without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged off pursuant to this ORDER; or

(iii) The sale or collection in cash of assets previously charged off; or

(iv) The direct contribution of cash by the directors and/or the shareholders of the Bank; or

(v) Any other means acceptable to the Regional Director of the Chicago Regional Office of the FDIC (“Regional Director”) and the Commissioner of OFIR (“Commissioner”); or

(vi) Any combination of the above means.

(c) If all or part of the 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 17th Street, N.W., Washington, D.C. 20429 and to Ken Ross, Commissioner, Office of Financial and Insurance Regulation, 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.

(d) 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.

(e) The capital ratio analysis required by this paragraph shall not negate the responsibility of the Bank and its board of directors for maintaining throughout the year an adequate level of capital protection for the kind, quality and degree of market depreciation of assets held by the Bank.

2. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and Commissioner.

3. (a) Within 90 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written strategic plan, profit plan, and a realistic, comprehensive budget for all categories of income and expense for calendar years 2009 and 2010, which plans and budgets shall be acceptable to the Regional Director and the Commissioner. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, including net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

(i) Identification of the major areas in, and means by, the board of directors will continue to seek to improve the bank’s operating performance;

(ii) Realistic and comprehensive budgets;

(iii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and

(iv) A description of the operating assumptions that form the basis for and support major projected income and expense components.

(c) Within 30 days from the end of each calendar quarter following completion of the profit plans and budgets required by this paragraph, the Bank’s board of directors shall evaluate the Bank’s actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors’ meeting at which such evaluation is undertaken.

(d) An enhanced written profit plan and budget which are acceptable to the Regional Director and the Commissioner shall be prepared, implemented, and adhered to for each calendar year for which this ORDER is in effect.

4. Within 60 days from the effective date of this ORDER, the Bank shall revise its written funds management policy in a manner acceptable to the Regional Director and the Commissioner. Thereafter, the Bank shall implement and adhere to the revised policy. Annually thereafter while this ORDER is in effect, the Bank shall review this policy for adequacy and, based upon such review, shall make appropriate revisions to the policy that are necessary to maintain adequate provisions to meet the Bank's liquidity needs. The initial revisions shall include, at a minimum, provisions:

(a) Requiring periodic review of deposit structure, including: volume and trend to total deposits; maturity distribution of time deposits; rates being paid on each type of deposit in comparison to competitors in the Bank's trade area; and limits on large time deposits, public funds, and out-of-area deposits;

(b) Establishing limits on concentrations in or excessive reliance upon any single source or type of funding, such as brokered funds, internet deposits, or other similar rate sensitive or credit sensitive deposits;

(c) Establishing a minimum liquidity ratio and defining how the ratio is to be calculated;

(d) Requiring Bank management or the asset and liability committee to make written monthly reports detailing the Bank's liquidity position, including the Bank's net non-core funding ratio and liquidity ratio, to the Bank's board of directors; and any action taken as a result of the reports shall be recorded in the minutes of the meeting to the board;

(e) Develop a formal contingency plan that addresses alternate funding sources if a liquidity crisis arises; and

(f) Establish a plan to increase core deposits and reduce reliance on potentially volatile liabilities.

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written plan which is acceptable to the Regional Director and the Commissioner to reduce the Bank's risk position in

each asset in excess of $100,000 which is classified "Substandard" in the Joint Report of Examination as of February 11, 2008 ("Joint Report"), or classified "Substandard" internally by management. In developing such plan, the Bank shall, at a minimum:

(i) Review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and

(ii) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(b) Such plan shall include, but not be limited to:

(i) Dollar levels to which the Bank shall reduce each asset within six and twelve months from the effective date of this ORDER;

(ii) A formal written action plan for collection of each classified commercial loan, outlining the Bank's collection strategy for the loan; and

(iii) Provisions for the submission of monthly written progress reports to the Bank’s board of directors for review and notation in minutes of the meetings of the board of directors.

(c) As used in this paragraph, “reduce” means to: (1) collect; (2) charge off; or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and OFIR.

6. As of the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in the Joint Report that have not been previously collected or charged off. Any such charged-off asset shall not be rebooked without the prior written consent of the Regional Director and Commissioner. Elimination or reduction of these assets with the proceeds of other Bank extensions of credit is not considered collection for the purpose of this paragraph.

7. Within 60 days from the effective date of this ORDER, the Bank shall correct all deficiencies in the loans listed for “Special Mention” in the Joint Report.

8. (a) Within 30 days from the effective date of this ORDER, and annually thereafter, the board of directors of

the Bank shall review the Bank's loan policy and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policy necessary to strengthen lending procedures and abate additional loan deterioration. The revised written loan policy shall be acceptable to the Regional Director and Commissioner.

(b) The initial revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

(i) Requiring the development and implementation of an enhanced loan grading system which accurately characterizes the condition of each loan and which adequately accounts for collateral deficiencies and deterioration in borrower financial condition;

(ii) Establishing prudent limitations on the volume of subprime loans and loans in excess of loan-to-value limitations established in Appendix A of Part 365 of the FDIC Rules and Regulations, 12 C.F.R. Part 365, Appendix A;

(iii) Establishing enhanced procedures for prudently calculating borrower cash flow;

(iv) Establishing enhanced underwriting criteria for renewals of classified loans;

(v) Establishing enhanced procedures for identifying collateral deficiencies in secured loans, and criteria for charge-off of deficiency balances in accordance with the FFIEC Instructions for Reports of Condition and Income;

(vi) Establishing enhanced procedures for identifying the proper carrying value of other real estate owned, in accordance with the FFIEC Instructions for Reports of Condition and Income;

(vii) Addressing concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers; and

(viii) Requiring that exceptions to the loan policy be approved in advance by the Bank’s board of directors.

9. Prior to submission or publication of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank’s allowance for loan and lease losses (“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 or OFIR. ALLL entries required by this paragraph shall be made prior to any Tier 1 capital determinations required by this ORDER.

10. (a) Within 30 days from the effective date of this ORDER, the Bank shall eliminate or correct all violations of law, rule, and regulation listed in the Joint Report.

(b) Within 30 days from the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws, rules, regulations, and guidelines.

11. Within 30 days from the effective date of this ORDER, the Bank shall send to its shareholders 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 17th Street, N.W., Washington, D.C. 20429 and to OFIR, 611 Ottawa Street, Lansing, Michigan 48909, 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.

12. (a) 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.

(b) Following the required date of compliance with subparagraph (a) of this paragraph, the Bank’s board of directors shall review the Bank’s compliance with this ORDER and record its review in the minutes of each regularly scheduled board of directors’ meeting.

13. Within 30 days of the last day 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 and Commissioner have, 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 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: October 1, 2008.

M. Anthony Lowe	Stephen R. Hilker
Regional Director	Chief Deputy Commissioner
Chicago Regional Office	Office of Financial and
Federal Deposit Insurance	Insurance Regulation
Corporation	State of Michigan