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
SELECT BANK GRAND RAPIDS, MICHIGAN	)	FDIC-08-149b
(MICHIGAN CHARTERED INSURED NONMEMBER BANK)	)	

Select 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 laws, rules, or regulations 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 August 19, 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 laws, rules, or regulations, 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 laws, rules, or regulations:

A. Operating with an excessive level of adversely classified assets and delinquent loans.

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

C. Operating with excessive overhead and an inadequate net interest margin.

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

E. Operating with an excessive level of brokered deposits used as a funding source.

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

G. Violating laws, rules, or regulations, including:

- The overdraft restrictions of section 215.4(e) of Regulation O of the Board of Governors of the Federal Reserve System (“Regulation O”), 12 C.F.R. § 215.4(e).
- The requirements of section 103.100(b)(2)(i) of the Treasury Department’s Financial Recordkeeping and Reporting of Currency and Foreign Transactions Regulation, 31 C.F.R. § 103.100(b)(2)(i).
- The appraisal requirements of section 323.3(d)(1) of the FDIC Rules and Regulations, 12 C.F.R. § 323.3(d)(1).

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

I. 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 violation(s) of laws, rules, or regulations.

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 effective date of this ORDER, the Bank shall formulate and adopt and implement a written plan to reduce the Bank’s risk position in each asset in excess of $200,000 which is classified “Substandard” in the FDIC Report of Examination as of February 25, 2008 (“Report”). 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; and

(ii) 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 ORDER, “reduce” means to: (1) collect; (2) charge off; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and Commissioner.

2. Within 30 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan for the reduction and collection of delinquent loans. The plan shall include, but not be limited to, provisions which:

(a) Prohibit the extension of credit for the payment of interest;

(b) Establish acceptable guidelines for the collection of delinquent credits;

(c) Establish dollar levels to which the Bank shall reduce delinquencies within six and twelve months from the effective date of this ORDER; and

(d) Provide 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.

3. (a) Within 60 days, the Bank will formulate and submit to the Regional Director and Commissioner for review and comment a written plan to reduce the loan concentrations of credit identified in the Report. A copy of the written plan shall be submitted to the Regional Director and Commissioner upon its completion. Such plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

(i) Dollar levels to which the Bank shall reduce each concentration; and

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

(b) Within 30 days, from receipt of any comment from the Regional Director and OFIR, and after the adoption of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the next board of director’s meeting. Thereafter, the Bank shall implement and adhere to the plan.

4. 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.

5. During the life of this ORDER, the Bank shall not increase its total assets by more than 2.5 percent during any consecutive three-month period without providing, at least 30 days prior to its implementation, a growth plan to the Regional Director and Commissioner. Such growth plan, at a minimum, shall include the funding source to support

the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written consent of the Regional Director and Commissioner. In no event shall the Bank increase its total assets by more than ten percent annually. For the purpose of this paragraph, “total assets” shall be defined as in the Federal Financial Institutions Examination Council’s Instructions for the Consolidated Reports of Condition and Income.

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment a written profit plan and a realistic, comprehensive budget for all categories of income and expense for the three calendar years of 2008, 2009, and 2010. 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, 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) A plan to increase income, specifically addressing net interest income and interest margins.

(ii) The reduction of overhead expenses including personnel expenses.

(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) The written profit plan and budget shall be updated and submitted to the Regional Director and Commissioner for review and comment within 30 days of the end of each year. Within 30 days of receipt of all such comments from the Regional Director and Commissioner and after adoption of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and adhere to the plan.

7. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop a written analysis and

assessment of the Bank’s staffing needs (“Staffing Plan”) for the purpose of providing appropriate levels of staffing for the volume and nature of the Bank’s operations. The Staffing Plan shall include, at a minimum the identification of both the type and number of officer and staff positions needed to properly conduct the daily operations of the bank.

(b) The Staffing Plan shall be submitted to the Regional Director and Commissioner for review and comment upon its completion. Within 30 days from the receipt of any comments from the Regional Director and Commissioner and after the adoption of any recommended changes, the Bank shall approve the Staffing Plan, and record its approval in the minutes of the board of directors’ meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and adhere to the Staffing Plan and/or any subsequent modification.

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and Commissioner for review and comment a written plan addressing liquidity and asset/liability management. Annually thereafter during the life of this ORDER, the Bank shall review this plan for adequacy and, based upon such review, shall make appropriate revisions to the plan that

are necessary to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. The initial plan shall include, at a minimum, provisions:

(i) Establishing a more prudent range for its net non-core funding ratio as computed in the Uniform Bank Performance Report;

(ii) Identifying the source and use of borrowed and/or volatile funds;

(iii) Establishing appropriate lines of credit at correspondent banks, including the Federal Reserve Bank of Chicago, that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;

(iv) Requiring the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;

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

(vi) Establishing a specific contingency funding plan identifying alternative courses of action designed to meet the Bank’s liquidity needs; and

(vii) Addressing the proper use of borrowings (i.e., seasonal credit needs, match funding mortgage loans, etc.) and providing for appropriate tenor commensurate with the use of the borrowed funds, addressing concentration of funding sources, volatility of funding sources, pricing, and collateral requirements with specific allowable funding channels identified (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings).

(b) Within 30 days from the receipt of all such comments from the Regional Director and Commissioner, and after revising the plan as necessary, the Bank shall adopt the plan, which adoption shall be recorded in the minutes of a board of directors’ meeting. Thereafter, the Bank shall implement and adhere to the plan.

9. (a) Within 60 days, the Bank will formulate and submit to the Regional Director and Commissioner for review and comment a written plan to reduce the Bank's reliance on brokered deposits as defined in Part 337 of the FDIC Rules and Regulations. Such plan shall detail the volume and maturities of the Bank's existing brokered deposits. The plan shall include, but not be limited to:

(i) Target dollar levels for each quarter over the next eight (8) quarters;

(ii) Specific strategies for funding the existing brokered deposits as they mature; and

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

(b) Within 30 days, from receipt of any comment from the Regional Director and OFIR, and after the adoption of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the next board of director’s meeting. Thereafter, the Bank shall implement and adhere to the plan.

10. (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 (“capital ratio”) for that calendar quarter. If the capital ratio is less than eight percent (8%), the Bank shall, within 60 days of the date of the required determination, increase its capital ratio to not less than eight percent (8%) 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 as “Loss” as of February 25, 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 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 W. Ottawa Street, Lansing, Michigan, 48909, 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.

11. 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.

12. (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 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, and regulations.

13. Following 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 W. 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.

14. (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.

15. 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 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: August 28, 2008.

Sylvia H. Plunkett Regional Director Chicago Regional Office Federal Deposit Insurance Corporation	Stephen R. Hilker Chief Deputy Commissioner Office of Financial and Insurance Regulation State of Michigan