

#2007-113

AGREEMENT BY AND BETWEEN
The First National Bank of St. Ignace
St. Ignace, Michigan
and
The Comptroller of the Currency

The First National Bank of St. Ignace, St. Ignace, Michigan (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to credit risk management at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), less otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Milwaukee/Iron Mountain Field Office
P.O. Box 666
Iron Mountain, MI 49801

ARTICLE II

APPOINTMENT OF NEW DIRECTORS

(1) The Board shall immediately take action to add, at a minimum, two (2) new directors, one of whom shall be an independent director. The term "independent director" means a person who is not an officer or employee of the Bank, and who is not:

- (a) a director, officer or employee of any affiliate of the Bank;
- (b) a director, officer or employee of any related interest (as that term is defined in 12 C.F.R. § 215) of any current director, or
- (c) a relative of any current director.

(2) Prior to appointing any new director, the Bank must provide the Assistant Deputy Comptroller with written notice as required by 12 C.F.R. § 5.51 (notice forms and instructions are in the “Changes in Directors and Senior Executive Officers” booklet of the Comptroller’s Licensing Manual).

(3) The Assistant Deputy Comptroller shall have the power of veto over the appointment of the proposed new director. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed director.

(4) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his/her review and act on any such information or authority within ninety (90) days. Provided that the Board has submitted written notice of the proposed appointments pursuant to 12 C.F.R. § 5.51, it shall be deemed to be in compliance with this Article unless the OCC subsequently notifies the Board that it vetoes any proposed appointment and the Board fails to submit written notice of a proposed alternative appointment within 90 days thereafter.

(5) If the Board is unable to identify any qualified director candidates within ninety (90) days, the Board shall document its efforts to locate such candidates, and notify the Assistant Deputy Comptroller in writing. Thereafter, the Board shall provide monthly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

ARTICLE III

NEW SENIOR LENDING OFFICER

(1) By October 31, 2007, the Board shall appoint a new, capable Senior Lending Officer who shall be vested with sufficient executive authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of the Bank.

(2) Prior to the appointment of any individual to the Senior Lending Officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

(a) the information sought in the “Changes in Directors and Senior Executive Officers” and “Background Investigations” booklets of the Comptroller’s Licensing Manual, together with a legible fingerprint card for the proposed individual;

(b) a written statement of the Board's reasons for selecting the proposed officer; and

(c) a written description of the proposed officer's duties and responsibilities.

(3) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new Senior Lending Officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer/director.

(4) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his/her review and act on any such information or authority within ninety (90) days. Provided that the Board has submitted written notice of the proposed appointment pursuant to 12 C.F.R. § 5.51, it shall be deemed to be in compliance with this Article unless the OCC subsequently notifies the Board that it vetoes any proposed appointment and the Board fails to submit written notice of a proposed alternative appointment within 90 days thereafter.

ARTICLE IV

MINIMUM CAPITAL LEVELS

(1) The Bank shall maintain the following capital levels, as defined in 12 CFR Part 3:

- (a) Tier 1 capital at least equal to fourteen percent (14%) of risk-weighted assets; and
 - (b) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets.
- (2) Additionally, the Bank shall not declare or pay dividends without the prior determination of no supervisory objection by the Assistant Deputy Comptroller.
- (3) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

ARTICLE V

CREDIT UNDERWRITING

- (1) Effective immediately, the Bank may grant, extend, renew, or materially alter or restructure any loan or other extension of credit over \$50,000 only after:
- (a) documenting the specific reason or purpose for the extension of credit;
 - (b) identifying the expected source of repayment in writing;
 - (c) structuring the repayment terms to coincide with the expected source of repayment;
 - (d) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable; and
 - (e) obtaining and analyzing current credit information consistent with the requirements of the Bank’s loan policy as revised pursuant to Article VII hereof, including cash flow analysis, where loans are to be repaid from operations;
 - (i) Failure to obtain the information in (1)(e) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the

specific reasons why failing to obtain and analyze the information in (1)(e) would not be detrimental to the best interests of the Bank.

- (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure adherence to the requirements of this Article.

ARTICLE VI

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the, Report of Examination (ROE) dated May 1, 2007 and in any subsequent ROE, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) The Board shall take immediate action to ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the current value of supporting collateral and the position of the Bank's lien on such collateral where applicable;

- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized loan relationships equal to or exceeding three hundred thousand dollars (\$300,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized loan relationship that equals or exceeds three hundred thousand (\$300,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(7) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in the internal risk rating system or external loan review, or in any list provided to management by the National Bank Examiners

during any examination and whose aggregate loans or other extensions exceed one hundred thousand dollars (\$100,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE VII

LOAN POLICY

(1) By December 31, 2007, the Board shall revise the bank's loan policy to include the following:

- (a) annual review requirements for lending relationships in excess of \$200,000;
- (b) requirements for completing global cash flow analyses;
- (c) guidance detailing when lenders are required to obtain borrower projections (i.e., for start-up businesses); and;
- (d) requirements for deduction of estimated living expenses when performing cash flow analyses.

(2) The Board shall submit a copy of the bank's revised loan policy to the Assistant Deputy Comptroller for his prior determination of no objection.

(3) In addition to the preceding, the bank may amend its loan policy as to what constitutes current credit information, provided that any such change shall be submitted by the Board to the Assistant Deputy Comptroller for his prior determination of no objection.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure adherence with the loan policy developed pursuant to this Article.

ARTICLE VIII

INTERNAL CREDIT RISK RATING SYSTEM

(1) By December 31, 2007, the Board shall develop, implement, and thereafter ensure Bank adherence to an on-going internal loan and lease risk rating system that accurately and timely identifies and categorizes problem loans and leases. The system shall use a loan and lease grading process consistent with the guidelines set forth in the Rating Credit Risk booklet, A-RCR, of the Comptroller's Handbook. The system shall provide for a monthly written report to the Board detailing loan and lease risk ratings, and total for each category in a dollar and percent of capital format.

(2) The Board shall submit a copy of the bank's internal loan and lease risk rating system to the Assistant Deputy Comptroller for his prior determination of no objection. Provided that the Board has submitted the risk rating system to the Assistant Deputy Comptroller on or before December 31, 2007 and is not advised in writing of any objection to the rating system within 30 days of such submission, the Board and the Bank shall be deemed to be in compliance with the requirements of this paragraph.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IX

EXTERNAL LOAN REVIEW

(1) By December 31, 2007, the Board shall implement and ensure an effective, independent and on-going external loan review system to review the Bank's loan and lease portfolios designed to timely identify and categorize problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in the Rating Credit Risk booklet, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (c) of the Article;
- (e) concentrations of credit; and
- (f) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(2) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(4) The Board shall evaluate the loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(5) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) By December 31, 2007, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance in accordance with OCC Bulletin 2006-47, and shall focus particular attention on the following factors:

- (a) results of the Bank's external loan review;
- (b) an estimate of inherent loss exposure for each impaired credit over \$50,000, including estimated disposal costs;
- (c) ensuring timely recognition of problem credits;
- (d) analyzing loan loss experience, including segmenting the portfolio by common groups of loans and apply historical loss factors to the segmented portfolio (e.g. commercial, commercial real estate, consumer real estate, consumer installment), and

(e) documentation of environmental considerations that may have an impact on future loss factors, such as: local and national economic trends and conditions, levels and trends in past due and nonperforming loans, effects of risk selection, credit concentrations, and management experience.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE XI

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the

United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective September 11, 2007, and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1),

and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/

Joseph N. Meinhardt
Assistant Deputy Comptroller
Milwaukee/Iron Mountain Field Office

9-11-07

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/

Prentiss M. Brown, Jr.

9-11-07

Date

/s/

James J. Brown

9-11-07

Date

/s/

Paul W. Brown

9-11-07

Date

/s/

Charles Brown

9-11-07

Date

/s/

Prentiss Brown III

9-11-07

Date

/s/

James P. Chambers

9-11-07

Date

/s/

James North

9-11-07

Date

/s/

Jack W. Ryerse

9-11-07

Date

/s/

Jack G. Swope

9-11-07

Date

/s/

Frank H. Taylor

9-11-07

Date