

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
D&N FINANCIAL CORPORATION)
Hancock, Michigan (H-1242))
)

Re: Resolution No. 100 91-2

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Central Region, and D&N Financial Corporation, Hancock, Michigan ("D&NFC"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against D&NFC pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") and to be codified at 12 U.S.C. 1818(b). D&NFC desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease-and-desist litigation against D&NFC with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) D&NFC is a "savings and loan holding company" within the meaning of Section 3 of the FDIA and Section 10 of the Home Owners' Loan Act, as amended by FIRREA.

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a holding company. Therefore, D&NFC is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b)(8) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(b)(8)).

3. Consent. D&NFC consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. 1818(b)). Upon its issuance by the Regional Director of the OTS for the Central Region, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended by FIRREA and to be codified at 12 U.S.C. 1818(i).

5. Waivers. The Holding Company waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA and to be codified at 12 U.S.C. 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA and to be codified at 12 U.S.C. 1818(h), or otherwise to challenge the validity of the Order.

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In the Matter of)
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D&N Financial Corporation)
HANCOCK, MICHIGAN (OTS 1242))
)

Re: Resolution No. IND 91-2

ORDER TO CEASE AND DESIST

WHEREAS, D&N Financial Corporation, ("D&NFC"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Central Region; and

WHEREAS, D&NFC, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act, as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"), as codified at 12 U.S.C. 1818(b).

NOW, THEREFORE, IT IS ORDERED that D&NFC and its directors, officers, employees, and agents shall cease and desist from any violation of applicable law, or the aiding and abetting of any such violation, or following unsafe and unsound practices, and shall take steps to operate with adequate supervision by its board of directors.

IT IS FURTHER ORDERED that:

STRATEGIC PLANNING

1. D&NFC shall take action in cooperation with D&N Bank, to evaluate the desirability of marketing the savings association to a potential acquirer or merger partner who could meet all known legal and policy requirements for acquisition of D&N Bank. Such action shall include documented contacts with potential acquirers/merger partners, written reports by management to the Board and documented deliberations by the Board. Evaluation of the desirability of marketing the savings association shall specifically address the feasibility of D&N Bank attaining capital compliance and regulatory compliance as well as adherence to safe and sound practices by means which do not include an acquisition. D&NFC shall report in writing to the Deputy Regional Director of OTS on its evaluation of the desirability of marketing the D&N Bank within 60 days of the date of the hiring of an investment banking firm by D&N Bank to assist in this evaluation and each 30 days thereafter or more frequently at the request of the Deputy Regional Director.

HOLDING COMPANY EXPENSES

2. D&NFC shall not violate Sections 23A and 23B of the Federal Reserve Act, as made applicable to savings associations and savings and loan holding companies by Section 11 of the Home Owners' Loan Act as amended by Section 301 of FIRREA. The Board of Directors of D&NFC shall inform the Deputy Regional Director of OTS in writing within five (5) days of obtaining actual knowledge of any transaction in which the legal obligations of D&NFC are being paid for or otherwise assumed by D&N Bank or any other subsidiary of D&NFC.

CAPITAL DISTRIBUTIONS

3. D&NFC shall not declare, or pay any capital distributions of any type without the prior written approval of the Deputy Regional Director of the OTS.

REPORTING

4. D&NFC shall, upon the request of the Deputy Regional Director of the OTS, furnish written progress reports to the Deputy Regional Director of the OTS or the Regional Director of the FDIC detailing the form and manner of any action taken to secure compliance with this Order and the results thereof. All progress reports and other written responses to this Order shall be reviewed by D&NFC's Board and made a part of the minutes of the Board meeting.

5. The Board of Directors of D&NFC shall, at each regular meeting, formally resolve that, to the best of its knowledge and belief, and based on a prudent review of management reports, during the previous calendar month that D&NFC and its subsidiaries complied with each condition of this Order except as otherwise stated. The resolution shall specify in detail how, if at all, full compliance was found not to exist. The resolution further shall set forth any exceptions to any conditions of this Order approved by the Deputy Regional Director. Within seven (7) days of ratification by the Board of the minutes of each regular Board of Directors meeting, the D&NFC shall submit to the Deputy Regional Director a copy of the minutes of each Board of Directors meeting (and minutes of any committee or subsidiary board of directors meeting), the aforementioned resolution, and the management report(s) of the D&NFC. The provided materials shall include all schedules and information provided to the Board for its review and any attachments to the minutes; provided, however, that nothing in this Order shall be construed as requiring D&N to provide to the OTS materials which are subject to attorney-client privilege. Each director shall at such time either provide the Deputy

Regional Director with certification that, to the best of his or her knowledge and belief, and based upon a prudent review, the above-referenced resolution is accurate, or provide the Deputy Regional Director with a written statement providing in detail the reason(s) for disagreement with the resolution.

6. D&NFC may utilize employees of D&N Bank in completion of reports required by this Order where substantially similar reports are required to be provided to the Deputy Regional Director by an OTS Consent Order to Cease and Desist entered into by D&N Bank; provided, however, that any such utilization of D&N Bank employees shall be in compliance with Paragraph 2 of this Order.

DEFINITIONS

7. As used in this Order, the D&N Bank is a "savings association" which shall have the meaning as set forth in Section 2(4) of the Home Owners' Loan Act, as amended ("HOLA").

8. As used in this Order, D&NFC refers to D&N Financial Corporation which is a "savings and loan holding company" within the meaning of Section 8(b)(8) of the FDIA and Section 10(a)(1)(D) of the Home Owners' Loan Act, as amended by FIRREA.

9. As used in this Order, the term "Deputy Regional Director" shall mean the Deputy Regional Director of the Indianapolis Office of the Central Region of OTS or any other official designated to perform the function by the Regional Director of OTS for the Central Region or by the Director of OTS or its successor

10. Reference in this Order to provisions of statutes, regulations, and OTS memoranda shall be deemed to include references to successor provisions as applicable.

11. All technical words or terms used in this Order, for which meanings

are not specified or otherwise provided by the provisions of this Order, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations ("C.F.R."), HOLA, and Federal Deposit Insurance Corporation Act, as amended ("FDIC Act"). Any such technical words or terms used in this Order and undefined in said C.F.R., HOLA, FDIC Act, or OTS memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

12. The terms and provisions of this Order shall be binding upon and inure to the benefit of the parties hereto and their successors in interest.

13. Materials required to be sent to the OTS pursuant to this Order shall be mailed to: Deputy Regional Director, Office of Thrift Supervision, 8250 Woodfield Crossing Boulevard, Suite 305, Indianapolis, Indiana 46240.

NO WAIVER CLAUSE

14. This Order does not preclude the OTS from pursuing enforcement actions, including, but not limited to, removal and prohibition orders, civil money penalties, or personal cease and desist orders against any individuals.

OFFICE OF THRIFT SUPERVISION

BY

/S/

Stuart M. Braffman
Regional Director
Central Region