

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: CN 09-27
)	
CITIZENS FIRST BANCORP, INC.)	Effective Date: September 1, 2009
)	
Port Huron, Michigan)	
OTS Docket No. H3702)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, Citizens First Bancorp, Inc., Port Huron, Michigan, OTS Docket No. H3702 (Holding Company), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Holding Company, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Central Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Holding Company and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about,

participating in, counseling or the aiding and abetting in the unsafe or unsound practices that resulted in the operation of the Holding Company with insufficient capital for its risk profile and with inadequate earnings.

Capital Plan.

2. (a) By August 31, 2009, the Board shall adopt and submit to the Regional Director, for review and comment, a detailed written plan for enhancing the consolidated capital and earnings of the Holding Company (Capital Plan). The Capital Plan shall cover the period beginning with the quarter ending June 30, 2009 through the quarter ending December 31, 2011. At a minimum, the Capital Plan shall include:

- (i) establishment of a minimum tangible capital ratio of tangible equity capital to total tangible assets commensurate with the Holding Company's consolidated risk profile to be achieved by December 31, 2009;
- (ii) quarterly cash flow projections for the Holding Company on a stand alone basis through calendar year-end December 31, 2009 that identify both the sources of funds and the expected uses of funds;
- (iii) detailed quarterly pro forma consolidated and unconsolidated Holding Company balance sheets and income statements for the period beginning June 30, 2009 and ending December 31, 2011 that reflect maintenance throughout the period of the Board established minimum tangible equity capital ratio;
- (iv) detailed scenarios to stress-test the consolidated minimum capital targets based on continuing operating results, economic conditions and risk profile of consolidated assets; and

(v) detailed descriptions of all relevant assumptions and projections and the supporting documentation for all relevant assumptions and projections.

(b) Within thirty (30) days after receiving written comments, if any, from the Regional Director, the Board shall revise the Capital Plan based upon such comments from the Regional Director. Immediately thereafter, the Board shall adopt and the Holding Company shall implement and comply with the Capital Plan. Within five (5) days of Board approval of the Capital Plan, the Holding Company shall send a copy of the Capital Plan adopted by the Board to the Regional Director.

(c) Once the Capital Plan is implemented, the Holding Company shall operate within the parameters of its Capital Plan. Any proposed material deviations from or changes to the Capital Plan shall be submitted for the prior, written non-objection of the Regional Director. Requests for any material deviations or changes must be submitted at least thirty (30) days before a proposed deviation or change is implemented.

(d) The Holding Company shall notify the Regional Director regarding any material event affecting or that may affect the balance sheet, capital, or the cash flow of the Holding Company within five (5) business days after such event.

3. (a) On a quarterly basis, beginning with the quarter ending September 30, 2009, the Holding Company shall prepare and submit to the Board a report that compares projected operating results contained within the Capital Plan to actual results (Capital Plan Variance Report). The Board shall review each Capital Plan Variance Report and address external and internal risks that may affect the Holding Company's ability to successfully implement the Capital Plan. This review shall include, but not be limited to, adverse scenarios relating to asset or liability mixes, interest rates, staffing levels and expertise, operating expenses, marketing

costs, and economic conditions in the markets where the Holding Company is operating. The Board's review of each Capital Plan Variance Report and assessment of the Holding Company's compliance with the Capital Plan shall be fully documented in the appropriate Board meeting minutes.

(b) Within sixty (60) days after the close of each quarter beginning with the quarter ending September 30, 2009, the Board shall provide the Regional Director with a copy of each Capital Plan Variance Report.

Regulatory Reports.

4. Effective immediately, the Board shall ensure that all reports required pursuant to 12 C.F.R. § 584.1 are properly and timely submitted to the OTS.

Dividends.

5. Effective immediately, the Holding Company shall not declare, make, or pay any cash dividends or other capital distributions or purchase, repurchase or redeem or commit to purchase, repurchase, or redeem any Holding Company equity stock without the prior written non-objection of the Regional Director. The Holding Company shall submit its written request for non-objection to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend, capital distribution, or stock transaction. The written request for such notice of non-objection shall: (a) contain current and pro forma projections regarding the Holding Company's capital, asset quality, and earnings; and (b) address compliance with the Capital Plan required by Paragraph 2 of this Order.

Debt Restrictions.

6. Effective immediately, the Holding Company shall not, directly or indirectly, incur, issue, renew, roll over, or increase any debt or commit to do so without the prior written non-objection

of the Regional Director. The Holding Company shall submit its written request for non-objection to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt transaction. The Holding Company's written requests for Regional Director non-objection to engage in such debt transactions, at a minimum, shall: (a) describe the purpose of the proposed debt; (b) set forth and analyze the terms of the proposed debt and covenants; (c) analyze the Holding Company's current cash flow resources available to satisfy such debt repayment; and (d) set forth the anticipated source(s) of repayment of the proposed debt. For purposes of this Paragraph of the Order, the term "debt" includes, but is not limited to loans, bonds, cumulative preferred stock, hybrid capital instruments such as subordinated debt or trust preferred securities, and guarantees of debt. For purposes of this Paragraph of the Order, the term "debt" does not include liabilities incurred in the ordinary course of business to acquire goods and services and that are normally recorded as accounts payable under generally accepted accounting principles.

Affiliate Transactions.

7. Effective immediately, the Holding Company shall not engage in transactions with any subsidiary or affiliate without the prior written non-objection of the Regional Director, except: (i) exempt transactions under 12 C.F.R. Part 223; and (ii) intercompany cost-sharing transactions identified in executed written agreements between the parties. The Holding Company shall provide thirty (30) days advance written notice to the Regional Director of any proposed affiliate transaction and shall include a full description of the transaction.

Severance and Indemnification Payments.

8. Effective immediately, the Holding Company shall not make any golden parachute payment¹ or any prohibited indemnification payment² unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 CFR Part 359.

Directorate and Management Changes.

9. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers³ set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

10. Effective immediately, the Holding Company shall not enter into, renew, extend, or revise any contractual arrangement related to compensation or benefits with any director or Senior Executive Officer of the Holding Company, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement, or a detailed written description of the compensation arrangement to be offered to such director or officer, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359.

Effective Date, Incorporation of Stipulation.

11. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

¹ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

² The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

³ The term “Senior Executive Officer” is defined at 12 C.F.R. § 563.555.

Duration.

12. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

13. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

14. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Holding Company that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

15. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

16. Except as otherwise provided herein, all submissions, requests, communications, consents, or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission, or hand delivery by messenger) addressed as follows:

(a) **To the OTS:**

Regional Director
Office of Thrift Supervision
One South Wacker Drive, Suite 2000
Chicago, Illinois 60606
Facsimile: (312) 917-5001

(b) **To the Holding Company:**

Chairman of the Board
Citizens First Bancorp, Inc.
525 Water Street
Port Huron, Michigan 48060
Facsimile: (810) 987-4090

No Violations Authorized.

17. Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Daniel T. McKee
Regional Director, Central Region

Date: See Effective Date on page 1

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STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Citizens First Bancorp, Inc., Port Huron, Michigan, OTS Docket No. H3702 (Holding Company) that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Holding Company pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order; and

WHEREAS, the Holding Company desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 - 3 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Holding Company is a “savings and loan holding company” within the meaning of 12 U.S.C. § 1813(w)(3) and 12 U.S.C. § 1467a. Accordingly, the Holding Company is a “depository institution holding company” as that term is defined in 12 U.S.C. § 1813(w)(1).

2. Pursuant to 12 U.S.C. § 1818(b)(9), the “appropriate Federal banking agency” may initiate a cease and desist proceeding against a savings and loan holding company in the same manner and to the same extent as a savings association for regulatory violations and unsafe or unsound acts or practices.

3. Pursuant to 12 U.S.C. § 1813(q), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings and loan holding company. Therefore, the Holding Company is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

4. Based on its September 29, 2008 examination of the Holding Company, the OTS finds that the Holding Company engaged in unsafe or unsound practices, including operating the Holding Company with insufficient capital for its risk profile and with inadequate earnings.

Consent.

5. The Holding Company consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Holding Company further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

6. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

7. The Holding Company waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

8. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Holding Company if, at any time, the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

9. The Holding Company acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 8 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

10. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

11. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

12. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

13. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

14. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

15. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

16. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of the execution of the Stipulation at a duly called board meeting.

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WHEREFORE, the Holding Company, by its directors, executes this Stipulation.

Accepted by:

CITIZENS FIRST BANCORP, INC.
Port Huron, Michigan

OFFICE OF THRIFT SUPERVISION

By: _____
Marshall J. Campbell, Director

By: _____
Daniel T. McKee
Regional Director, Central Region

Bethany A. Belanger, Director

Date: See Effective Date on page 1

Ronald W. Cooley, Director

Dan L. DeGrow, Director

Dr. Walid Demanshkiek, Director

Daniel G. Lockwood, CPA, Director

Janice U. Whipple, Director