



Accordingly, pursuant to section 208.45(b) of Regulation H of the Board of Governors and section 263.202(a)(2) of the Rules of Practice, the Board of Governors issues this Directive and immediately directs the Bank and its institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. 1813(u)), to comply fully with the following:

1. The Bank shall immediately, but no later than March 18, 2002 (or such additional time as the Board of Governors may permit), in conjunction with the Bank's parent bank holding company, New Century Bancorp, Shelby Township, Michigan:

(a) Increase its equity through the sale of shares or contributions to surplus in an amount sufficient to make the Bank adequately capitalized as defined in section 208.43(b)(2) of Regulation H of the Board of Governors; or

(b) enter into and close a contract to be acquired by a depository institution holding company or combine with another insured depository institution, closing under which contract is conditioned only on the receipt of necessary regulatory approvals, the continued accuracy of customary representations and warranties and the performance of customary pre-closing covenants; or

(c) enter into and close a contract to sell the bank to an individual or group of individuals, subject to the provisions of the Change in Bank Control Act, as amended (12 U.S.C. 1817j), closing under which contract is conditioned only on the receipt of necessary regulatory approvals, the continued accuracy of customary representations and warranties and the performance of customary pre-closing covenants.

2. Within 20 days of this Directive, the Bank shall take all actions necessary to employ a permanent full-time: (i) chief executive officer, with demonstrated experience in managing troubled financial institutions, and (ii) chief financial officer, with demonstrated experience in financial institution regulatory accounting requirements.

3. The Bank shall not, without the prior written approval of the Federal Reserve Bank of Chicago (the "Reserve Bank") and the fulfillment of any one of the requirements set forth in paragraphs 1(a), (b), or (c) hereof, accept, renew, or rollover deposits bearing an interest rate that exceeds the prevailing effective yields on insured deposits of comparable maturity in the Bank's normal market area.

4. The Bank shall not, without the prior written approval of the Reserve Bank, reverse or otherwise reduce any provision in its allowance for loan and lease losses.

5. (a) The Bank shall not, without the prior written approval of the Reserve Bank, directly or indirectly, enter into, participate, or in any other manner engage in any transaction with New Century Bancorp or any other affiliate.

(b) For the purposes of this Directive, the terms (i) "transaction" shall include, but not be limited to the transfer, sale or purchase of any asset, including cash, or the

direct or indirect payment of any expense or obligation of, the payment of a management or service fee of any nature to, or any extension of credit to an affiliate, (ii) "extension of credit" shall be defined as set forth in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3), and (iii) "affiliate" shall be defined as set forth in subparagraph (b)(1) of section 23A of the Federal Reserve Act (12 U.S.C. 371c(b)(1)).

6. The Bank shall comply fully with the provisions of sections 38(f)(4)(A)(i) and (ii) of the FDI Act (12 U.S.C. 1831o(f)(4)(A)(i) and (ii)) restricting the payment of bonuses to senior executive officers and increases in compensation of such officers, and shall not make any payments to any former senior executive officers.

7. The Bank shall comply fully with the provisions of sections 38(e)(3) and (4) and 38(i) of the FDI Act (12 U.S.C. 1831o(e)(3), (4) and (i)) restricting asset growth, acquisitions, branching, new lines of business, material changes, and covered transactions .

8. The Bank shall not, without the prior written approval of the Reserve Bank, originate, acquire, or amend the term of any lease contracts, other than those for which the Bank is contractually obligated as of the date of this Directive.

9. All communications regarding this Directive shall be sent to:

- (a) Mr. John J. Wixted, Jr.  
Senior Vice President  
Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, Illinois 60690
- (b) Mr. Vincent DiLorenzo,  
Chairman of the Board of Directors  
New Century Bank  
46719 Hayes Road  
Shelby Township, Michigan 48315
- (c) Frank M. Fitzgerald  
Commissioner  
State of Michigan  
Office of Financial and Insurance Services  
P.O. Box 30224  
Lansing, Michigan 48909

10. The provisions of this Directive shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

11. Each provision of this Directive shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors.

12. Notwithstanding any provision of this Directive to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Bank to comply with any provision of this Directive.

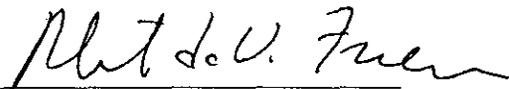
13. The provisions of this Directive shall not bar, estop or otherwise prevent the Board of Governors, or any federal or state department or agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors or assigns.

14. The Bank may, pursuant to section 263.202(a)(2) of the Rules of Practice, submit to the Board of Governors a written appeal of this Directive. Any written appeal of this Directive must be received within 14 days of service of this Directive by Jennifer J. Johnson, Secretary of the Board, Board of Governors of the Federal Reserve System, 20th & C Streets, N.W., Washington, D.C. 20551. Failure to file a written appeal within the time specified herein shall constitute a waiver by the Bank of the opportunity to file a written appeal of this Directive.

By order of the Board of Governors of the Federal Reserve System, effective this

6<sup>th</sup> day of MARCH, 2002.

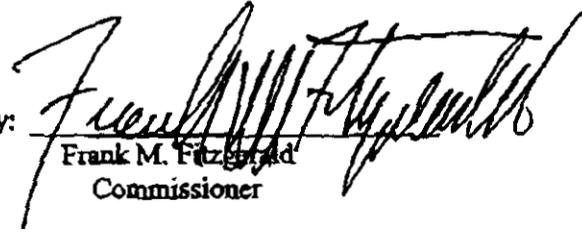
BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By:   
Robert deV. Frierson  
Deputy Secretary of the Board

The Commissioner of the Office of Financial and Insurance Services of the State of Michigan, being duly apprised of the circumstances surrounding imposition of this Directive, fully concurs with the issuance thereof.

Office of Financial and Insurance Services  
State of Michigan

By:

A handwritten signature in black ink, appearing to read "Frank M. Fitzgerald", written over a horizontal line.

Frank M. Fitzgerald  
Commissioner