

FEDERAL RESERVE press release



For immediate release

February 7, 1997

The Federal Reserve Board today announced the execution of a Written Agreement between OmniBanc Corporation, River Rouge, Michigan, and the Federal Reserve Bank of Chicago. The Federal Reserve Board also announced the execution of a Written Agreement by and between the OmniBank, a subsidiary of OmniBanc Corporation, the Federal Reserve Bank of Chicago, and the Michigan Financial Institution Bureau.

Copies of the Written Agreements are attached.

Attachments

**UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.**

**MICHIGAN FINANCIAL INSTITUTIONS BUREAU
LANSING, MICHIGAN**

Written Agreement by and among:

**OMNIBANK
River Rouge, Michigan**

and

**THE FEDERAL RESERVE BANK
OF CHICAGO
Chicago, Illinois**

and

**MICHIGAN FINANCIAL
INSTITUTIONS BUREAU
Lansing, Michigan**

DOCKET NO. 96-039-WA/RB-SM

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of the OmniBank, River Rouge, Michigan (the "Bank"), a state chartered bank which is a member of the Federal Reserve System, a subsidiary of OmniBanc Corporation, Detroit, Michigan (the "Holding Company"), a registered bank holding company, the Bank, the Federal Reserve Bank of Chicago (the "Reserve Bank"), and the Michigan Financial Institutions Bureau (the "Bureau") have mutually agreed to enter into this Written Agreement (the "Agreement");

WHEREAS, this Agreement is being executed in accordance with the Rules Regarding Delegation of Authority of the Board of Governors of the Federal Reserve

System (the "Board of Governors"), specifically 12 FR 265.11(a) (15), and the Reserve Bank has received the prior approval of the Director of the Division of Banking Supervision and Regulation (the "Director") and the General Counsel of the Board of Governors to enter into this Agreement with the Bank; and

WHEREAS, on JANUARY 8, 1998, the board of directors of

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the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing William T. Jotus to enter into this Agreement on behalf of the Bank and consented to compliance with each and every provision of this Agreement by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813 (u)).

NOW, THEREFORE, before the taking of any testimony or adjudication of or finding on any issue of fact or law herein, and without this Agreement constituting an admission of any allegation made or implied by the Board of Governors, the Reserve Bank, or the Bureau, and solely for the purpose of settling this matter without further proceedings, the Bank, the Reserve Bank, and the Bureau hereby agree as follows:

DIVIDENDS

1. The Bank shall not declare or pay any dividends on common or preferred stock without the prior written approval of the Reserve Bank, the Bureau and the Director.

CAPITAL

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Bureau an acceptable written plan to achieve, and, thereafter, maintain an adequate capital position. The plan shall, at a minimum, address and consider:

(a) the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines of the Board of Governors for State Member Banks: Risk Based measures and Tier 1 Leverage Measure (12 C.F.R. Part 208, App. A and B) and the Bureau's capital guidelines as set forth in Bank Bulletin No. 25; (b) the volume of the Bank's adversely classified and problem assets; (c) the growth in the Bank's assets as it relates to the Bank's capital ratios; (d) the Bank's anticipated levels of retained earnings, taking into consideration the loan loss reserve requirements set forth in this Agreement; and (e) the need for an immediate capital infusion and the source(s) and timing of such capital infusion and any future capital infusions necessary to meet the Bank's capital needs.

FUNDS MANAGEMENT

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Bureau an acceptable liquidity plan designed to improve and, thereafter, maintain adequate liquidity. The plan shall, at a minimum, provide for:

(a) An adequate volume of liquid assets to provide for anticipated or unanticipated funding needs as well as a contingency plan to meet those unanticipated funding needs;

(b) a reduction in the degree of reliance on brokered deposits;

(c) the establishment of limits on the Bank's reliance on volatile liabilities, including federal funds purchased, certificates of deposits over \$100,000, public funds, brokered deposits and other volatile funds, with such limits considering the uses and sources of the volatile funds, and the ability of liquid assets to support any withdrawal of volatile liabilities;

(d) appropriate standards for the volume, mix and maturity of the Bank's securities, loans and deposits;

(e) loan and deposit pricing strategies; and

(f) the establishment of a system to monitor the Bank's current liquidity position and to project future liquidity needs taking into account the Bank's expected loan demands, loan repayments, security transactions, deposit fluctuations, and other factors affecting the Bank's liquidity position.

4. The Bank shall not accept brokered deposits except in compliance with the provisions of section 29 of the FDI Act (12 U.S.C. 1831f). The Bank shall notify the Reserve Bank and the Bureau if the Bank requests any waiver of the restrictions imposed by section 29 from the Federal Deposit Insurance Corporation (the "FDIC") and shall notify the Reserve Bank of the FDIC's disposition of any requests for such a waiver.

INSIDER TRANSACTIONS

5. (a) The Bank shall not, directly or indirectly, enter into, participate, or, in any other manner engage in any financial transaction with any of the Bank's or the Holding Company's current or former institution-affiliated parties or any related interests of such institution-affiliated parties, without prior board of director approval and prior written

notification to the Reserve Bank and the Bureau. For the purposes of this paragraph, (i) a "financial transaction" is defined as an extension of credit (as defined in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3)); a payment of money (with the exception of current salaries and director fees or other compensation); the transfer, sale or purchase of any asset; a contract or payment for services; and the direct or indirect payment of any obligation of the Holding Company's or the Bank's current or former institution-affiliated parties; and (ii) "related interest" is defined as set forth in section 215.2 of Regulation O of the Board of Governors (12 C.F.R. 215.2).

(b) All written notifications made pursuant to paragraph 5(a) hereof shall be accompanied by documentation adequate to allow the Reserve Bank and the Bureau to analyze fully the loan or other transaction.

6. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Bureau a comprehensive ethics policy that shall apply to all directors, officers and employees of the Bank and shall, at a minimum, address the responsibilities for conduct and the avoidance of conflicts of interest. Specific emphasis should be placed on extensions of credit to directors and their related interests (as defined in section 215.2 of the Board of Governors's Regulation O). In addition, the policy shall require the ethical and non-preferential treatment of all transactions between the Bank and its directors and officers as well as between the Bank and any current or prospective investors in the Holding Company.

BOARD OF DIRECTORS AND MANAGEMENT SUPERVISION

7. With the assistance of an independent consultant acceptable to the Reserve Bank and the Bureau, the board of directors of the Bank shall develop a written plan to improve the board of directors' supervision over the management of the Bank and submit the plan to the Reserve Bank and the Bureau within 90 days of this Agreement. In formulating the plan, the board, at a minimum, shall consider:

(a) The board's strategy for improving supervision over senior management and the major operations and activities of the Bank, which strategy shall include an assessment of each director's contribution as a member of the board, along with written findings of any weaknesses and a plan to eliminate such weaknesses, and shall take into consideration the replacement or addition of directors, while ensuring that a majority of the board is comprised of outside directors, and the addition of advisory directors or the hiring of consultants to the board of directors, to strengthen the expertise and advice of the board;

(b) a review of the financial and compliance reports provided to the board of directors and its committees to ensure that such reports provide sufficient and accurate information to identify and control the Bank's key risk areas;

(c) a review of all board of directors's committees to ensure these committees are comprised of qualified individuals and the responsibilities of the committees are clearly identified in writing;

(d) actions required to improve the board of directors's strategic planning and budgeting processes, including consideration of both short-term and long-term goals for the Bank and implementation of a system for monitoring the Bank's actual performance in relation to the board of directors' goals; and

(e) a review of the board of directors' procedures for monitoring the Bank's compliance with all laws, regulations, and Bank internal policies and procedures, including, but not limited to, the sale of the Bank's other real estate as well as all business conducted with outside service providers, including mortgage companies; and, at a minimum, the review should consider enhancing the Bank's audit and audit committee functions to provide assurance to the board that the Bank is in compliance with all applicable laws and regulations.

8. (a) Within 90 days of this Agreement, the Bank's board of directors shall conduct a review of the functions and performance of the Bank's senior executive officers as well as the officers responsible for the Bank's loan and loan review functions. The written findings of the review shall be forwarded to the Reserve Bank and the Bureau upon completion along with the board's conclusions and any recommendations for management changes that may be proposed as a result of the review. The review shall focus on an assessment of the duties performed by each senior executive and loan officer and the ability of that individual to competently perform his or her assigned duties. The primary purpose of this review shall be to aid in the development of a management structure that is adequately staffed by qualified and trained personnel and suitable to the Bank's needs.

(b) During the term of this Agreement or as otherwise required by law, the Bank shall comply with the provisions of section 32 of the FDI Act (12 U.S.C. 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. Part 225, Subpart H), with respect to the appointment of any new directors or the hiring or promotion of any senior executive officers.

VIOLATIONS

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9. (a) ~~The Bank shall immediately take all necessary steps consistent with sound banking practices, to eliminate and/or correct the violations cited in the Reserve Bank's and the Bureau's Joint Report of Examination, dated August 5, 1996 (the "Report of Examination"), of Regulation O of the Board of Governors (12 C.F.R. Part 215), Regulation H of the Board of Governors (12 C.F.R. Part 208), and sections 196, 241, and 239 of the Michigan State Banking Code.~~

(b) The Bank shall not engage, directly or indirectly, in any violation of applicable laws or regulations, including Regulation O and Regulation H of the Board of Governors, and sections 196, 241, and 239 of the Michigan State Banking Code.

(c) The Bank shall immediately initiate a compliance program to ensure compliance with all applicable laws and regulations, including, but not limited to, Regulation O and Regulation H of the Board of Governors, and sections 196, 241, and 239 of the Michigan State Banking Code and this Agreement, including ensuring that the Bank has an adequate compliance program and a qualified compliance officer responsible for coordinating and monitoring the Bank's compliance with all banking laws and regulations. Pursuant to this program, the board of directors and senior management of the Bank shall familiarize themselves with the provisions of Regulation O of the Board of Governors.

BANK SECRECY ACT

10. (a) The Bank shall not, directly or indirectly, engage in any violation of the Currency and Foreign Transaction Reporting Act (31 U.S.C. 5311 et seq.) and the accompanying regulations issued thereunder by the United States Department of

the Treasury (31 C.F.R. 103.11 et seq.)(collectively referred to as the Bank Secrecy Act (the "BSA")).

(b) For the purposes of this Agreement, the term "violate" shall include any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or aiding or abetting a violation.

(c) To ensure that the Bank does not violate any of the provisions of the BSA, the Bank shall, among other things:

(i) Comply with the recordkeeping and reporting requirements for currency transactions over \$10,000 (31 C.F.R. 103.22);

(ii) comply with the identification requirements related to the recordkeeping and reporting requirements for currency transaction reports over \$10,000 (31 C.F.R. 103.28); and

(iii) ensure that currency transactions reports, required pursuant to 31 C.F.R. 103.22, contain specific identifying information and that such reports do not contain such identifiers as "Established Customer" or "Customer Known to Bank."

11. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Bureau an acceptable written internal compliance plan designed to ensure that the Bank complies with the provisions of paragraph 10 hereof. At a minimum, the plan shall:

(a) Provide the means by which to detect and monitor currency transactions over \$10,000 occurring at the Bank;

(b) provide the means by which to ensure that the required identifying information is contained within reports of currency transactions over \$10,000 occurring at the Bank;

(c) provide the means by which to detect and monitor all other currency transactions occurring at the Bank;

(d) provide a reasonable means to identify whether any currency transaction is being conducted for illegitimate purposes and that there is full compliance with all applicable laws and regulations relative to such currency transactions;

(e) provide the means to ensure that exemption procedures are being followed and that exemption limits for customers of the Bank that are exempted from the currency transaction reporting requirements are being complied with; in the event that transactions that exceed the exemption limits occur, the currency transaction reporting requirements are complied with; the transactions of exempted customers are reviewed on a regular basis; and, all required information relative to exempted customers is appropriately recorded;

(f) provide and document training to all appropriate personnel at the Bank and each of its branches, including, but not limited to, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel, in all aspects of regulatory and internal policies and procedures related to the BSA and update the training provided on a regular basis to ensure that all personnel are provided with the most current and up to date information; and

(g) designate a qualified and competent individual(s) within the Bank responsible for the daily coordination and monitoring of compliance with the BSA.

ASSET QUALITY AND RESERVES

12. (a) ~~The Bank shall immediately charge off 100 percent of all assets or portions of assets classified "Loss" in the Report of Examination that have not been previously charged off or collected. "Collected" as used in this paragraph shall not include reductions through use of loan proceeds advanced by the Bank. Unless otherwise approved in writing by the Reserve Bank and the Bureau, the Bank shall, within 30 days after the receipt of any Reserve Bank or Bureau report of examination, charge-off 100 percent of all assets classified "Loss" in any such report.~~

(b) Within 30 days of this Agreement, the Bank shall achieve and, thereafter, continue to maintain, through charges to current operating income, an adequate valuation reserve for loan losses. The adequacy of the reserve shall be determined in light of the volume of weighted classified loans, the current level of nonperforming loans, prior loan loss experience, evaluation of the potential for loan losses in the Bank's portfolio,

current economic conditions, concentrations of credit, and other criticisms contained in the Reserve Bank's and the Bureau's Joint Report of Examination and the requirements of the Interagency Policy Statement on the Allowance for Loan and Lease Losses, dated August 5, 1996 (the "Report of Examination"), dated December 21, 1993. A written record shall be maintained indicating the methodology used in determining the amount of the reserve needed. The Bank shall strive to incorporate a loan review rating system as described in paragraph 16(a) hereof for determining the adequacy of the reserve. The interim methodology shall be submitted to the Reserve Bank and the Bureau within 30 days of this Agreement. Thereafter, the Bank shall conduct a monthly assessment of its loan loss reserve and have the assessment available for examiner review. The Bank shall also submit each quarter end assessment to the Reserve Bank and the Bureau within 30 days of the end of each quarter.

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13. Within 120 days of this Agreement, the Bank shall submit to the Reserve Bank and the Bureau acceptable written plans designed to improve the Bank's position on each loan in excess of \$25,000 that was past due as to principal or interest in excess of 90 days as of the date of this Agreement and on each asset in excess of \$50,000, including other real estate, that was adversely classified, listed as special mention by examiners in the Report of Examination or identified on the Bank's watch list. The plans shall detail the efforts to improve such loans either through amortization, repayment, liquidation, additional collateral or other means, as may be appropriate. The plans shall be amended periodically as warranted and shall also cover loans or other assets in excess of \$50,000 that are subsequently adversely classified or listed for special mention at future examinations or visitations, loans in excess of \$25,000 that become past due as to principal or interest for more than 90 days, or loans which are otherwise added to the Bank's watch list. The amended plans shall be submitted to the Reserve Bank and the Bureau within 30 days of the end of each calendar quarter.

CONCENTRATIONS OF CREDIT

14. Within 120 days of this Agreement, the Bank shall submit to the Reserve Bank and the Bureau an acceptable written plan to reduce concentrations of credit in the Bank's loan portfolio, including those concentrations noted in the Report of Examination. The plan shall include, at a minimum, the following: (a) the methods used to identify concentrations of direct and indirect credits to a specific industry or line of business that represent 25 percent or more of the Bank's tier 1 capital; (b) a description of specific procedures that will be initiated to provide a greater degree of diversification within the Bank's loan portfolio in order to avoid undue risks; and (c) the submission of monthly

concentration reports to the Bank's board of directors, which shall be available for examiner review.

LOAN ADMINISTRATION

15. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank acceptable amended written loan policies and procedures to address all aspects of the Bank's current or planned future lending activities, including, but not limited to, any lending program targeted to specialty markets or borrowers. At a minimum, these policies and procedures shall include, but not be limited to, (i) underwriting standards for all loans; (ii) guidelines for credit analysis to be performed on all loans, including requirements for complete credit and cash flow analysis, to permit full assessment of the borrower's financial capacity and the documentation of such analysis; (iii) guidelines on the collateral requirements for all loans; and (iv) guidelines for formal loan review and approval limits for bank officers and the Bank's loan committee, and procedures for ratifying or approving extensions of credit authorized by lending personnel.

(b) A majority of the Bank's Loan Committee shall, at all times, be comprised of outside directors. Prior approval by the Loan Committee shall be required for any extension of credit made by the Bank that, in the aggregate, will exceed \$50,000 to any borrower, including any related interest(s) of the borrower (unless the extension of credit is fully secured by residential real estate, marketable securities or cash, or is at least 80% guaranteed by the Small Business Administration, in which case prior Loan Committee approval is required if, in the aggregate, such extensions exceed \$250,000). The Loan Committee shall ensure that, prior to its approval, all loan requests meet the Bank's underwriting and documentation standards. The Loan Committee shall have the responsibility for monitoring compliance with the Bank's loan policies and

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procedures and shall review, on a monthly basis, all loans made by the Bank and the activities of all personnel of the Bank involved in the lending operations. At each meeting of the Loan Committee, the Committee shall review the current status of all loans in excess of \$25,000 that are past due as to principal or interest for 90 days or more as of the date of the Committee meeting, or that are adversely classified or listed for special mention by Bureau or Reserve Bank examiners in the Bank's latest report of examination or visitation. The Loan Committee shall specifically address whether the extension of credit was made in accordance with the Bank's written loan policies and procedures, and whether the collection actions undertaken by Bank management to reduce such loans are consistent with the Bank's collection procedures, which shall be clearly set forth in the Bank's written loan policies and procedures. The Loan Committee shall maintain accurate written minutes of its meetings, which shall be available for examiner review.

(c) For purposes of this Agreement, the term "outside director" shall be defined as a director who is not (i) an employee or officer of the Bank or a direct or indirect owner of 5% or more of any class of the outstanding shares of the Holding Company or indebted, directly or indirectly, or has a related interest that is indebted, directly or indirectly, to an amount exceeding 5% of the Bank's tier 1 capital, or (ii) is not related by blood or marriage to any person described in paragraph 15(c)(i) hereof.

16. (a) Within 120 days of this Agreement, the Bank shall conduct an evaluation of its loan review program and procedures and submit to the Reserve Bank and the Bureau an acceptable revised program and acceptable procedures designed to properly identify and categorize problem credits and provide work out strategies for minimizing the risk exposure from these identified problem credits. These procedures shall, at a minimum,

include the following: (i) a description of the risk grades to be assigned to each loan; (ii) the designation of the individual(s) responsible for determining loan grades; (iii) the timing of the assignment of loan grades; (iv) the types of loans that will be graded; (v) the requirements outlined in Attachment I of the Interagency Policy Statement on the Allowance of Loans and Lease Losses, issued December 21, 1993, addressing the minimum requirements relating to "Loan Review Systems" and "Credit Grading Systems" (attached hereto); (vi) procedures to confirm the accuracy of all risk grades assigned by the Bank's loan officers; (vii) procedures requiring that all loans adversely classified by examiners at future examinations and visitations be incorporated into the Bank's loan review program; (viii) procedures requiring that all watch list loans be analyzed at least semi-annually to ensure that the action plans to improve these credits are effective and are being followed; (ix) the development of an adequate loan review report; and (x) the requirement that the board of directors be responsible for the Bank's loan review program.

(b) Within 90 days of this Agreement, the Bank shall retain an independent consultant, acceptable to the Reserve Bank and the Bureau, who possesses recognized expertise in analyzing problem loan portfolios, for the purpose of assisting the Bank in identifying and categorizing problem credits as required by paragraph 16(a) hereof.

17. (a) Within 90 days of the Agreement, the Bank shall take all necessary steps to correct all exceptions to the Bank's loan files reflected in the loans adversely classified and the loans listed for technical exception in the Report of Examination.

(b) Within 120 days of this Agreement, the Bank shall submit to the Reserve Bank and the Bureau: (i) a written report detailing the actions taken pursuant

to paragraph 17(a) hereof; and (ii) acceptable written procedures designed to ensure that all extensions of credit comply with the Bank's loan policies and procedures, including, but not limited to, those policies and procedures regarding loan documentation and collateral.

BUSINESS PLAN

18. (a) Within 120 days of this Agreement, the Bank shall submit to the Reserve Bank and the Bureau a business plan, which shall include, but not necessarily be limited to, the following: (i) identification of the major areas in and means by which the board of directors will seek to improve the Bank's operating performance; (ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components, including the Bank's overhead cost structure and provisions necessary to establish and maintain adequate loan loss reserves as required by paragraph 12(b) hereof; (iii) a realistic and comprehensive budget for 1997; and (iv) a budget review process incorporating the use of pro forma income statements in the analysis of budgeted versus actual income and expenses.

(b) A written business plan for each calendar year following 1997 shall be submitted to the Reserve Bank and the Bureau at least ³⁰~~90~~ days prior to the beginning of that calendar year.

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(c) The business plans required by this paragraph shall be reviewed quarterly by the board of directors and any modification to those plans as a result of the review shall be submitted to the Reserve Bank and the Bureau within 10 days of the review.

REVIEW AND APPROVAL

19. The plans, programs, policies, and procedures required by paragraphs 2, 3, 11, 13, 14, 15(a), 16(a), and 17(b) hereof shall be submitted to the Reserve Bank and the Bureau for review and approval. Acceptable plans, programs, policies, and procedures shall be submitted to the Reserve Bank and the Bureau within the required time periods. The Bank shall adopt the approved plans, programs, policies, and procedures within 10 days of approval by the Reserve Bank and the Bureau and then shall fully comply with them. During the term of this Agreement, the approved plans, programs, policies, and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Bureau.

PROGRESS REPORTS

20. Within 30 days after the end of each calendar quarter (March 31, June 30, September 30 and December 31) following the date of this Agreement, the Bank shall furnish to the Reserve Bank and the Bureau written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof, including updated reports on all asset improvement plans required by paragraph 13 and a quarterly assessment of the loan loss reserve required by paragraph 12(b) hereof. Such reports may be discontinued when the corrections required by this Agreement have been accomplished and the Reserve Bank and the Bureau have, in writing, released the Bank from making further reports.

GENERAL PROVISIONS

21. All communications regarding this Agreement shall be sent to:

- (a) Ms. Gay Whiting
Assistant Vice President
Federal Reserve Bank of Chicago
230 South La Salle Street
Chicago, Illinois 60604
- (b) Mr. Joseph E. Petterson
Assistant Director
Bank and Trust Division
Financial Institutions Bureau
P.O. Box 30224
Lansing, Michigan 48909
- (c) Mr. Herbert Ford
President and CEO
OmniBank
10474 West Jefferson Avenue
River Rouge, Michigan 48218-1396

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

23. (a) Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended by the Reserve Bank and the Bureau.

(b) Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the Bureau may, in their discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

24. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank, the Bureau, or any other federal or state agency or department from taking any other action affecting the Bank, the Holding Company, or any of their current or former institution-affiliated parties.

25. This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS HEREOF, the parties have caused this Agreement to be executed as of the ^{61st GW} ~~8th~~ day of January, 199~~8~~⁷. ^{4/15/97} ₁₋₁₆₋₉₇

OMNIBANK
River Rouge, Michigan

By: [Signature]
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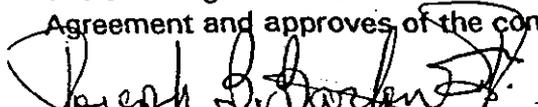
FEDERAL RESERVE BANK
OF CHICAGO
Chicago, Illinois

By: [Signature]
Gay Whiting
Assistant Vice President

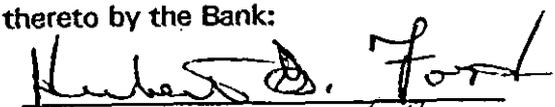
MICHIGAN FINANCIAL
INSTITUTIONS BUREAU
Lansing, Michigan

By: [Signature]
Gary K. Mielock
Deputy Commissioner
Office of Regulation

The undersigned directors of the Bank each acknowledges having read the foregoing Agreement and approves of the consent thereto by the Bank:



Joseph Barlow



Herbert Ford



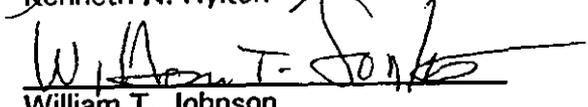
William Holmes



Kenneth N. Hylton



Viola Johnson



William T. Johnson



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**UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.**

Written Agreement by and between:

**OMNIBANC CORPORATION
Detroit, Michigan**

and

**THE FEDERAL RESERVE BANK
OF CHICAGO
Chicago, Illinois**

DOCKET NO. 96-039-WA/RB-HC

WHEREAS, in order to maintain the financial soundness of OmniBanc Corporation, Detroit, Michigan (the "Holding Company"), a registered bank holding company, and its subsidiary state member bank, the OmniBank, River Rouge, Michigan (the "Bank"), the Federal Reserve Bank of Chicago (the "Reserve Bank") and the Holding Company have mutually agreed to enter into this Written Agreement (the "Agreement");

WHEREAS, this Agreement is being executed in accordance with the Rules Regarding Delegation of Authority of the Board of Governors of the Federal Reserve System (the "Board of Governors"), specifically 12 C.F.R. 265.11(a)(15), and the Reserve Bank has received the prior approval of the Director of the Division of Banking Supervision and Regulation (the "Director") and the General Counsel of the Board of Governors to enter into this Agreement with the Holding Company; and

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WHEREAS, on January 8, 1997 ~~1996~~, the board of directors of the Holding Company, at a duly constituted meeting, adopted a resolution authorizing and directing William T. Johnson ^{WJ} to enter into this Agreement on behalf of the Holding Company and consented to compliance with each and every provision of this Agreement by the Holding Company and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u) and 1818(b)(3)).

NOW, THEREFORE, before the taking of any testimony or adjudication of or finding on any issue of fact or law herein, and without this Agreement constituting an admission of any allegation made or implied by the Board of Governors or the Reserve Bank, and solely for the purpose of settling this matter without further proceedings, the Holding Company and the Reserve Bank hereby agree as follows:

DIVIDENDS

1. The Holding Company shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director.

DEBT SERVICE

2. (a) The Holding Company shall not, directly or indirectly, increase its borrowings or incur any debt, including renewals of existing debt, debt to stockholders, and subordinated debt, without the prior written approval of the Reserve Bank.

(b) All requests for prior written approval required by paragraph 2(a) hereof shall contain, but not be limited to: (i) a statement regarding the

purpose of the debt; (ii) the terms of the debt; and (iii) the planned source(s) for debt repayment and an analysis of the cash flow resources required to meet such debt repayment.

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3. Within 30 days ~~of this Agreement~~, the Holding Company shall submit to the Reserve Bank an acceptable written plan to service its outstanding debt without incurring any additional debt. The plan shall, at a minimum, specifically address and consider:

- (a) The Holding Company's cash flow projections;
- (b) the Bank's anticipated earnings, asset growth, capital, and dividend projections; and
- (c) alternative sources of funds to be used to make all necessary debt reductions;

STOCK REDEMPTION

4. The Holding Company shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

RESPONSIBILITIES OF DIRECTORS

5. Within 90 days of this Agreement, the board of directors of the Holding Company shall:

- (a) Conduct and complete a review of the quality, comprehensiveness, uniformity, and timeliness of the information provided to the board of directors, for the purpose of carrying out its responsibilities, including, but not limited to, reviewing and assessing the risks attendant to new business arrangements prior to entering into any new business arrangements; and

(b) prepare and submit a written report to the Reserve Bank that details the findings of this review and the actions taken to correct any deficiencies noted during the review.

SUPPORT OF BANK'S CAPITAL POSITION

6. The Holding Company shall take all necessary actions, including, but not limited to, downstreaming available funds, to support the capital position of the Bank, in accordance with the Bank's capital plan required by paragraphs 2 and 19 of the Written Agreement among the Reserve Bank, the Michigan Financial Institutions Bureau and the Bank, dated JANUARY 23, 1998. *WJF*

PAYMENTS AND EXPENSES

7. (a) Unless it is otherwise agreed to in writing by the Reserve Bank, the Holding Company shall not, ^{after 11/30/97} directly or indirectly, make any payments for salaries or bonuses unless the payments are: (i) preapproved by the Holding Company's board of directors; (ii) related to services actually rendered to or on behalf of the Holding Company or the Bank; (iii) related to services necessary to perform the requisite operations of the Holding Company, such as filing required regulatory reports; (iv) justified based on the financial condition of the Holding Company; (v) rendered on-site at the Holding Company or the Bank; and (vi) consistent with payments made by financial institutions of comparable size, condition, and geographic location. *WJF*

(b) The Holding Company shall not make any salary or bonus payment unless the Holding Company submits in writing to the Reserve Bank a list of individuals who receive salary or bonus payments, the amounts of those payments, and

justification for the payments. Such justification shall, at a minimum, address the financial condition of the Holding Company and shall include, but not be limited to, an adequate and complete description of the services rendered to or on behalf of the Holding Company or the Bank, and an explanation of why the services are necessary.

8. (a) The Holding Company shall not, directly or indirectly, make any payments to consultants, unless the payments are: (i) pursuant to a written arrangement between the consultant and the Holding Company; (ii) preapproved by the Holding Company's board of directors; (iii) related to services actually rendered to or on behalf of the Holding Company or the Bank; (iv) related to services necessary to perform the requisite operations of the Holding Company, such as filing required regulatory reports; (v) justified based on the financial condition of the Holding Company; (vi) consistent with payments made by financial institutions of comparable size, condition, and geographic location; and (vii) not duplicative of services rendered to the Holding Company or the Bank by their officers, directors, or employees, or any other consultant, advisor, or provider of services.

(b) The Holding Company shall not make any payment to any consultant unless the Holding Company submits in writing to the Reserve Bank a list of consultants who receive payments, the amounts of those payments, and justification for the payments. Such justification shall, at a minimum, address the financial condition of the Holding Company and shall include, but not be limited to, an adequate and complete description of the services rendered to or on behalf of the Holding Company or the Bank, and an explanation of why the services are necessary.

9. (a) Except as otherwise agreed to in writing by the Reserve Bank, the Holding Company shall not, directly or indirectly, without the prior written approval of the Reserve Bank, make during any calendar month ^{after 11/31/97 with SW} (i) any cash expenditure in excess of \$500 to any individual or entity, except for a salary or bonus payment or payment to a consultant consistent with paragraphs 7 and 8 hereof; or (ii) any cash expenditures that aggregate in excess of \$500 to any individual or entity, except for payments consistent with paragraphs 7 and 8 hereof.

(b) The Holding Company shall provide the Reserve Bank with at least 15 days advance written notice when requesting prior written approval under paragraph 9(a) hereof, and shall include with such advance written notice documentation sufficient to demonstrate the appropriateness of any such expenditure.

VIOLATIONS

10. (a) The Holding Company shall not engage, directly or indirectly, in any lending activity, including, but not limited to, extending or renewing extensions of credit or purchasing loan participations, without the prior written approval of the Reserve Bank.

(b) The Holding Company shall not engage, directly or indirectly, in any violation or in any activity resulting in a violation of Regulation Y of the Board of Governors (12 C.F.R. Part 225).

REVIEW AND APPROVAL

11. The plan required by paragraph 3 hereof shall be submitted to the Reserve Bank for review and approval. An acceptable plan shall be submitted to the

Reserve Bank within the required time period. The Holding Company shall adopt the approved plan within 10 days of approval by the Reserve Bank and then shall fully comply with it. During the term of this Agreement, the approved plan shall not be amended or rescinded without the prior written approval of the Reserve Bank.

PROGRESS REPORTS

12. Within 30 days after the end of each calendar quarter (March 31, June 30, September 30 and December 31) following the date of this Agreement, the Holding Company shall furnish to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. Such reports may be discontinued when the corrections required by this Agreement have been accomplished and the Reserve Bank has, in writing, released the Holding Company from making further reports.

GENERAL PROVISIONS

13. All communications regarding this Agreement shall be sent to:

(a) Ms. Gay Whiting
Assistant Vice President
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, Illinois 60604

(b) Mr. William T. Johnson
President
OmniBanc Corporation
511 Woodward Avenue
Detroit, Michigan 48216

14. The provisions of this Agreement shall be binding upon the Holding Company and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

15. (a) The provisions of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended, in writing, by the Reserve Bank.

(b) Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Holding Company to comply with any provision of this Agreement.

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

17. This Agreement is a "written agreement" for purposes of section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 25th day of February, 1996.

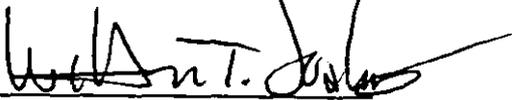
OMNIBANC CORPORATION
Detroit, Michigan

By: W. Ant. Jones
Chairman

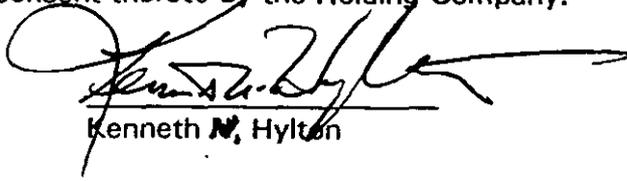
FEDERAL RESERVE BANK
OF CHICAGO
Chicago, Illinois

By: Gay Whiting
Gay Whiting
Assistant Vice President

The undersigned directors of the Holding Company acknowledge that each has read the foregoing Agreement and approves of the consent thereto by the Holding Company.



William T. Johnson



Kenneth N. Hylton

Reigned 12/31/96

Thomas C. Koontz