

#2012-071

AGREEMENT BY AND BETWEEN
Sterling Bank and Trust, FSB
Southfield, Michigan
and
The Comptroller of the Currency

Sterling Bank and Trust, FSB, Southfield, 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 or unsound banking practices relating to credit administration 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. § 163.555. See 12 U.S.C. § 1831(i).

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

(5) Unless otherwise informed in writing by the Comptroller, all programs, reviews, or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Joseph P. Wachtel
Assistant Deputy Comptroller
Cleveland Field Office
200 Public Square, Suite 1610
Cleveland, Ohio 44114

ARTICLE II

CAPITAL PLAN

(1) The Board shall ensure Bank adherence to its approved three-year capital plan and any subsequent approved capital plan, as revised and submitted annually, which includes:

- (a) projections for growth and capital requirements based on a detailed analysis of the Bank’s assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (b) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank’s needs;
- (c) contingency plans that identify alternative methods should the primary source(s) under (b) above not be available; and
- (d) a dividend policy that permits the declaration of a dividend only:

- (i) when the Bank is in compliance with its approved capital plan;
- (ii) in conformance with the requirements set forth in 12 C.F.R. Part 163, Subpart E – Capital Distributions, and
- (ii) upon a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

ARTICLE III

CRITICIZED ASSETS/WORKOUT PLANS

(1) The Bank shall take immediate and continuing action to protect its interest in all assets criticized as “special mention,” “substandard,” or “doubtful” including those assets in the Report of Examination dated July 29, 2011 (2011 ROE), in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Bank Examiners during any exam that identifies criticized assets.

(2) Within one hundred twenty (120) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of all assets exceeding five hundred thousand dollars (\$500,000) that have been criticized in the 2011 ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Bank Examiners during any exam that identifies criticized assets. 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 global cash flow analysis of the borrower's and guarantor's repayment ability when appropriate.
- (d) actions designed to eliminate the basis of criticism and protect the Bank's interest in the asset, including timeframes for implementing and evaluating the effectiveness of those actions; and
- (e) intent to either rehabilitate or exit the credit relationship.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding five hundred thousand dollars (\$500,000) shall be forwarded to the Assistant Deputy Comptroller.

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

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds five hundred thousand dollars (\$500,000);
- (b) management's adherence to the workout plans adopted pursuant to this Article;
- (c) the status and effectiveness of the plans; and
- (d) the need to revise the plans or take alternative action.

(5) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis.

(6) The Bank may extend credit, directly or indirectly, including renewals or extensions (including loan modifications and payment extensions), to a borrower whose loans or other extensions of credit are criticized in the 2011 ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Bank Examiners during any exam that identifies criticized assets, only if each of the following conditions are met:

- (a) the Board or its 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) is, in the discretion of the designated committee of the Board reasonably consistent with the Board's formal plan to collect or strengthen the criticized asset.

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

ARTICLE IV

IMPAIRMENT RECOGNITION

(1) Within ninety (90) days, the Board shall review adopt, implement, and thereafter ensure adherence to written policies and procedures for loan impairment

recognition and accounting process. This program shall be designed in accordance with the requirements of *OCC Bulletin 2006-47: Interagency Policy on the Allowance for Loan and Lease Losses* and shall focus particular attention on following factors:

- (a) timely and accurate identification of “impaired” loans as that term is defined in *ASC 310-10 Accounting for Creditors for Impairment of a Loan* (formerly FAS 114);
- (b) accurate measurement of the amount of impairment at the time a loan is determined to be impaired in accordance with the requirements of Generally Accepted Accounting Practices (GAAP);
- (c) for impaired collateral dependent loans secured by real estate, the use of current and reliable real estate appraisals, adjusted for selling costs when appropriate, to determine the fair value of the collateral; and
- (d) timely recognition of losses, including the recognition of the impaired portion of collateral dependent loans as loss.

(2) The program shall provide for a review by the Board no less than quarterly each calendar year. Any deficiency in impairment amounts of collateral dependent loans shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income. Written documentation shall be maintained indicating factors considered and conclusions reached by the Board, in determining the amount of loan impairment.

(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 V

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days, the Board shall ensure that the Bank obtains current and satisfactory credit information on all loans lacking such information, including those listed in the 2011 ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Bank Examiners during any exam that identifies credit exceptions.

(2) Within ninety (90) days, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the 2011 ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Bank Examiners during any exam that identifies collateral exceptions. Effective immediately, the Bank may grant, extend, renew, alter or restructure any criticized loan or other criticized extension of credit 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 and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations:
 - (i) failure to obtain the information in (3)(e) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(e) would be detrimental to the best interests of the Bank; and
 - (ii) a copy of the Board or its designated committee certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by Bank Examiners in subsequent examinations of the Bank.

ARTICLE VI

CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION

(1) Within ninety (90) days of this Agreement, the Board shall ensure that Management develops, implements, and thereafter ensures adherence to a written program that ensures that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, provisions requiring that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged off by the appropriate personnel using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook;
- (b) the Bank's loans and other assets are timely placed on nonaccrual by the appropriate personnel in accordance with the guidelines set forth in the Call Report;
- (c) the President, Senior Loan Officer, and all appropriate personnel receive immediate training with respect to the application of Subparagraphs (a) and (b) of this Article;
- (d) appropriate personnel are held accountable for failing to appropriately and timely risk rate and/or place loans on nonaccrual; and
- (e) personnel's failure to properly risk rate and/or place loans on nonaccrual is considered in periodic performance reviews and compensation.

(2) A copy of the written risk rating program shall be forwarded to the Assistant Deputy Comptroller for a determination of no supervisory objection.

ARTICLE VII

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 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 upon execution by the parties hereto 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 noncompliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any noncompliance 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 P. Wachtel
Assistant Deputy Comptroller
Northern Ohio Field Office

3/19/2012

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/
Barry I. Allen

3/19/12
Date

/s/
Jon M. Fox

3/19/12
Date

/s/
Gary Judd

3/19/12
Date

/s/
Seth Meltzer

3/20/12
Date

/s/
Sandra Seligman

3/19/12
Date

/s/
Peter Sinatra

3/19/12
Date