

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
Before the Director of Insurance and Financial Services

In the matter of:

Application for permission to
purchase and consolidate Encore
Bank, Naples, Florida, by Lake
Michigan Credit Union, Grand
Rapids, Michigan

Order No.: CU-431-017-01

Issued and entered on
This 19th day of April 2018
By Patrick M. McPharlin
Director

ORDER

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Lake Michigan Credit Union (LMCU) is a Michigan state-chartered credit union with its main office located at 4027 Lake Drive SE, Grand Rapids, Kent County, Michigan. LMCU has a geographic field of membership in the Florida counties of Charlotte, Collier, DeSoto, Glades, Hardee, Hendry, Highlands, Hillsborough, Lee, Manatee, Monroe, Palm Beach, Polk, and Sarasota, as stated in Article III of their bylaws.
2. Encore Bank (Encore) is a Florida state-chartered bank with its main office located at 3003 Tamiami Trail North, Suite 100, Naples, Collier County, Florida.
3. Ovation Holdings, Inc. (Ovation) is a Florida corporation with its main office located at 3003 Tamiami Trail North, Naples, Collier County, Florida. Ovation is the sole shareholder of Encore.
4. On September 29, 2017, Ovation and LMCU entered into an Agreement and Plan of Merger ("Agreement"), which sets forth the method and terms and conditions of a proposed merger and consolidation of Ovation with and into Encore immediately prior to a proposed consolidation of Encore with LMCU.
5. On November 27, 2017, Encore and Ovation entered into an Amended and Restated Agreement and Plan of Merger ("Amended Agreement") which sets forth the method, terms and conditions of the merger of Ovation with and into Encore immediately prior to the merger of Encore and LMCU, with the resulting entity being LMCU.
6. On September 28, 2017, a majority of the Board of Encore adopted resolutions approving the proposed transaction.

7. On September 28, 2017, a majority of the Board of Ovation adopted resolutions approving the proposed transaction. The Board of Ovation recommended to its shareholders that they approve the entire transaction. The shareholders of Ovation unanimously approved the subject transactions at a meeting called for that purpose on December 13, 2017. Prior to approval, each of Ovation's shareholders were advised of their dissenters' rights, and each waived their dissenters' rights to the fullest extent permitted by applicable law.
8. On November 27, 2017, LMCU submitted an application to the Director for authority to purchase and consolidate Encore with and into LMCU. The Director acknowledged the application on December 12, 2017.
9. LMCU filed an application for approval of the proposed transaction with the National Credit Union Administration (NCUA) on November 27, 2017.
10. LMCU filed an application for approval of the proposed transaction with the Federal Deposit Insurance Corporation (FDIC) on November 29, 2017. On March 5, 2018, the FDIC approved the application.
11. On March 2, 2018, the Office of Financial Regulation for the State of Florida issued a Final Order of Approval to Encore for authority to establish a successor institution (Ovation) and for authority to merge Ovation into Encore, subject to the satisfaction of certain conditions of approval.
12. In order to facilitate the purchase and consolidation of Encore with and into LMCU, LMCU represented in its application to the Director that each share of Ovation common stock outstanding immediately prior to the purchase shall first be converted into one share of Encore common stock and immediately thereafter into its holder's right to receive a cash payment from LMCU as consideration for the immediate cancellation of each share of common stock.
13. LMCU represented in the application that although it intends to acquire all liquid assets, loans, investments, fixed assets, and other assets of Encore, it does not intend to acquire, own or retain Encore's stock or the power to conduct a general commercial banking business granted under its charter. Therefore, although the acquisition will occur through the payment of cash consideration based upon the number of outstanding shares of Encore stock, LMCU has also represented it is not attempting to make an investment in stock in order to obtain a rate of return based upon appreciation in value of the stock or the payment of dividends.
14. LMCU submitted copies of resolutions passed by a majority of the board of directors of Encore and LMCU which authorize each financial institution to seek approval of the proposed transaction.
15. LMCU represented in the application that, upon obtaining all necessary regulatory approvals to consummate the proposed transaction and immediately prior to the closing of the transaction, Ovation intends to amend its Articles of Incorporation to reorganize its corporate business form to allow it to merge with and into Encore.

16. LMCU represented in the application upon the final closing of the proposed transaction Ovation and Encore will no longer exist as corporate entities and will ultimately be consolidated into the surviving financial institution that will be known as "Lake Michigan Credit Union" and will have its main office located at 4027 Lake Drive SE, Grand Rapids, Kent County, Michigan. The former main and branch offices of Encore will be retained as branch offices of the surviving credit union.
17. LMCU represented in the application it will not expand its field of membership in Florida concurrent with this application. LMCU represented the Encore branch offices are located within their current field of membership.
18. LMCU represented in the application the existing depositors and/or borrowers of Encore will become members of LMCU. At closing, LMCU represented it will open and fund a \$5 share deposit account for the benefit of any and all Encore loan customers that did not previously have deposit accounts at Encore to qualify them for membership in LMCU.
19. Upon consummation of the transaction, the existing executive officers of LMCU will continue to serve as the executive officers of the surviving credit union.
20. Upon consummation of the transaction, the existing directors of LMCU will continue to serve as the directors of LMCU.
21. LMCU represented in the application that consummation of the proposed transaction will not result in LMCU engaging in any nonconforming or impermissible activities.
22. LMCU's net worth is adequate.
23. The merger will not impair the ongoing viability of LMCU.

Therefore, it is ORDERED that:


1. The Purchase and Consolidation of Encore Bank, Naples, Florida, by Lake Michigan Credit Union, Grand Rapids, Michigan, pursuant to Section 401 of the Michigan Credit Union Act of 2003, as amended, is approved, subject to satisfaction of the conditions contained in this Order. Until these conditions have been met, or if any interim development is deemed to warrant further action by DIFS, DIFS reserves the right to alter, suspend, or withdraw approval.
2. LMCU is hereby granted the authority to acquire the equity of Encore Bank as outlined in the application under Section 431 of the Michigan Credit Union Act.
3. Depositors of record on the date of the acquisition of Encore Bank hereby qualify for membership in LMCU under Michigan Law.

It is further ORDERED that approval of the Application for Authority to Purchase and Consolidate Encore Bank, Naples, Florida by Lake Michigan Credit Union, Grand Rapids, Michigan, Application No. CU-431-017-01, is subject to the following:

1. The NCUA provides written consent to the proposed transaction and the NCUA consent is not withdrawn or revoked prior to the consummation of the proposed transaction.
2. The FDIC provides written consent to the proposed transaction and the FDIC consent is not withdrawn or revoked prior to the consummation of the proposed transaction.
3. The State of Florida Office of Financial Regulation provides written consent to the proposed transaction and the consent is not withdrawn or revoked prior to the consummation of the proposed transaction.
4. LMCU agrees the field of membership provisions within Article III of its bylaws only apply if explicitly approved by the Director as applicable in Florida.
5. Immediately upon LMCU's payment of the cash consideration to the shareholders of Encore, Articles of Dissolution which comply with the requirements of Florida Statutes are filed with the Florida Department of State to terminate the corporate existence of Encore and facilitate the purchase and consolidation of Encore with LMCU.
6. LMCU completes the purchase and consolidation as represented in the application and in accordance with generally accepted accounting principles.
7. The board of directors of LMCU must be composed of those persons identified in the application.
8. The executive officers of the surviving credit union must be composed of those persons identified in the application.
9. LMCU conducts business under the name "Lake Michigan Credit Union" or any other assumed names approved by DIFS.
10. LMCU will review and ensure adequate fidelity bond coverage is maintained.
11. Any capital outlays outside of the terms and conditions of the application will require prior approval from DIFS.
12. Within three months after consummation of the purchase and consolidation of the equity of Encore, LMCU will extinguish the equity of Encore and fully divest of the equity positions as a result of this transaction.
13. Within three months after consummation of the transaction, LMCU will provide DIFS with written documentation to verify all existing depositors or borrowers of Encore at the time of consummation of the transaction are either members of LMCU or their account relationship has been moved to another financial institution, closed, or paid-off.
14. If, as a result of the transaction, LMCU will exceed any lending, investment, or other limitation imposed by law, LMCU will conform to such limitations as established by DIFS. DIFS may

require the nonconforming activity to be divested in accordance with such additional requirements as it considers appropriate.

15. No later than May 31, 2018, LMCU provides DIFS with the combined financial statements of Encore and LMCU which reflect the fair market value of Encore's assets and liabilities.
16. No later than May 31, 2018, LMCU updates its NCUA Online Profile to reflect the consolidation of Encore with and into LMCU.



Patrick M. McPharlin
Director