

**STATE OF MICHIGAN  
DEPARTMENT OF ENERGY, LABOR AND ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE REGULATION**

**Before the Commissioner of Financial and Insurance Regulation**

**In the matter of**

**The Application of Ann Arbor Bancorp, Inc.**

**Order No. 09-059-BT**

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**Issued and entered  
this 20<sup>th</sup> day of October 2009  
by Ken Ross  
Commissioner**

**ORDER**

**I**

**BACKGROUND**

On September 10, 2009, Ann Arbor Bancorp, Inc. ("Corporation") submitted an application to the Commissioner ("Commissioner") of the Office of Financial and Insurance Regulation ("OFIR") for approval of the terms and conditions of the issuance, conversion or exchange of securities of Corporation, for shares of capital stock of the Ann Arbor State Bank ("Bank"), 125 West William Street, Ann Arbor, Michigan.

The Corporation advised the Commissioner that the Corporation will rely on the exemption from registration under Section 3(a)(10) of the Securities Act of 1933, as amended, based on the Commissioner's approval of the fairness of the terms and conditions of the exchange.

The Corporation's application was made pursuant to Sections 3706 and 3707, Banking Code of 1999, 1999 PA 276, MCL 487.13706 and MCL 487.13707. Section 3706 sets forth the requirements for a holding company to become a one-bank holding company. Section 3707 requires the Commissioner to conduct a hearing upon the fairness of the terms and conditions of the conversion or exchange. All shareholders who will receive securities in the conversion or exchange have the right to appear at the hearing.

In accordance with the statutory provision, a hearing was conducted on behalf of the Commissioner, on October 7, 2009, in the offices of Ann Arbor State Bank. Lisa Martinuzzi, an attorney with the Office of General Counsel, OFIR, presided over the hearing. Testimony was received from William Broucek, Chairman and CEO of both the Bank and the Corporation.

Upon consideration of the application, testimony provided during the hearing, and exhibits received during the hearing, the Commissioner has made the following Findings of Fact and Conclusions of Law:

## II

### FINDINGS OF FACT

Based upon the foregoing considerations, it is found that:

1. Ann Arbor State Bank is a party to a consolidation agreement and is currently engaged in the business of banking.
2. Ann Arbor Bancorp, Inc. is not a bank or a national banking association, but is a corporation that is a party to a consolidation agreement.
3. The Corporation, prior to its contemplated acquisition of the Bank, does not have control of a bank or national banking association and has not transacted any business except that incidental to its organization and to the entering into and performance of the consolidation agreement.
4. AAP Bank, Ann Arbor, Michigan, ("Interim Bank") is a party to a consolidation agreement ("Consolidation Agreement") and has not engaged in the business of banking.
5. The Consolidation Agreement provides for the consolidation of the Bank and the Interim Bank and that upon consummation, the shares of the Bank will be converted into shares of the capital stock of the Corporation.
6. Upon consummation of the consolidation, the Corporation will become a bank holding company as defined in Section 2 of the Bank Holding Company Act of 1956, 12 USC 1841, as amended. Immediately thereafter, the Corporation will not have control of more than one bank or national banking association.
7. The Corporation is not itself controlled by a bank holding company nor will it be so controlled immediately after the contemplated transaction.
8. Shareholders of the Bank were provided notice of the hearing on the fairness of the terms and conditions of the conversion or exchange by first class mail dated September 22, 2009. In addition, notice was published in the Washtenaw County

Legal News, a newspaper of general circulation in the County of Washtenaw, Michigan, on September 24, 2009.

9. The Consolidated Agreement provides that shares of the Bank's stock will be converted into shares of common stock of the Corporation. Each shareholder of the Bank will be entitled to receive one share of common stock of the Corporation for each share of stock in the Bank.
10. The purpose of the Consolidation Agreement between the Bank and the Interim Bank is to form a one-bank holding company.
11. The Corporation has no current plan for the sale or exchange of the Bank's assets or to liquidate the Bank.
12. There are no current plans for merger or consolidation of the Bank other than as contemplated by the instant transaction.
13. There will be no change in the Bank's Board of Directors or officers as a result of this transaction.
14. There are no material changes contemplated in the Bank's investment policy, business, corporate structure or management, or other changes which are unfair or unreasonable to the Bank's shareholders or which would not be in the public interest.
15. There are certain advantages associated with the conversion or exchange transaction, including better positioning the Bank to serve its customers and to compete more effectively in its present business environment.
16. The Boards of Directors of both the Bank and the Corporation have approved the transaction.
17. Dissenters to the consolidation of the Bank and the Interim Bank are entitled to the appraised value of their shares pursuant to Section 3706(b) of the Banking Code of 1999, MCL 487.13706(b).

### III

#### CONCLUSIONS OF LAW

Based upon a review of applicable laws, it is concluded that:

1. The Corporation has met the statutory requirements of Sections 3706 and 3707 of the Banking Code of 1999, MCL 487.13706 and MCL 487.13707, respectively.


2. The shareholders of the Bank were provided notice of the hearing both by first class mail and by publication.
3. The Consolidation Agreement provides for a pro rata conversion of Bank stock into Corporation stock.
4. Except for the Bank shareholders who may perfect dissenter's rights, each shareholder will own the same percentage of the Corporation after the transaction as is owned in the Bank prior to the transaction.
5. There are no significant plans for changes in organization or operation of the Bank.
6. The Bank will continue to operate under the same leadership as presently exists with the same officers, policies, and procedures.
7. The contemplated transaction will change the form of ownership so that present shareholders of the Bank will own shares of the Corporation, which in turn will own 100% of the Bank.

#### IV

#### ORDER

Therefore, it is ORDERED that:

The terms and conditions of the proposed conversion of shares of Ann Arbor State Bank into shares of Ann Arbor Bancorp, Inc. are fair to the shareholders of the Bank and that the issuance of 600,000 shares of Ann Arbor Bancorp, Inc. for 600,000 shares of Ann Arbor State Bank is approved.



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Ken Ross  
Commissioner