

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF MICHIGAN
NORTHERN DIVISION

IN RE NORTH COUNTRY FINANCIAL
CORPORATION SECURITIES LITIGATION

Civil Action No. 2:03-cv-00119-GJQ

CORRECTED CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

Plaintiffs, John F. Stevens and Charles D. Lanctot, by their attorneys, for their Consolidated Amended Class Action Complaint, allege the following upon personal knowledge as to themselves and their own acts, and upon information and belief based upon the investigation of plaintiffs' attorneys as to all other matters. The investigation includes the thorough review and analysis of public statements, publicly filed documents of North Country Financial Corporation ("North Country" or the "Company"), FDIC documents, press releases, news articles, the review and analysis of accounting rules and related literature and interviews with former employees. Plaintiffs believe that further substantial evidentiary support will exist for the allegations set forth below after a reasonable opportunity for discovery.

SUMMARY OF ACTION

1. This is a securities class action on behalf of public investors who purchased the common stock of North Country during the period from November 13, 2000 to April 15, 2003, inclusive (the "Class Period").

2. North Country is a Michigan corporation headquartered at 130 South Cedar Street, Manistique, Michigan 49854. North Country is the holding company for its banking subsidiary North Country Bank and Trust ("North Country Bank" or the "Bank"), which provides commercial bank and trust services. The Company also owns eight non-bank subsidiaries, including a relending company and an insurance agency that sells annuities as well as life and health insurance.

3. Throughout the Class Period, defendants misrepresented North Country's business operations and financial performance by failing to disclose that it was engaging in unsafe and unsound banking practices including, among other things, hazardous lending practices. Defendants' failure to disclose North Country's unsafe and unsound banking practices misrepresented the Company's business operations and financial performance and enabled defendants to post better financial results than was actually the case. As a result of these misleading results, the Company's stock price was artificially inflated during the Class Period.

4. North Country's unsafe banking practices were revealed on April 11, 2003, when the Company announced that it had agreed to the issuance of a Cease and Desist Order dated March 26, 2003 entered by the Federal Deposit Insurance Corporation and the Michigan Office of Financial and Insurance Services ("Cease and Desist Order"). A copy of the Cease and Desist Order is attached hereto as Exhibit 1. Four days later, on April 15, 2003, a report by the Company's independent auditors raised "substantial doubt about [North Country's] ability to continue as a going concern." As a result of this news, North Country's stock price plummeted more than 17% on the day after the auditor's report was issued.

5. Defendants' dissemination of materially false and misleading statements and/or omissions concerning the Company's unsound banking practices drove North Country's stock price to a Class Period high of \$9.30 on May 5, 2001, during which time the Company was engaging in numerous unsafe and unsound banking practices, to \$2.35 per share on April 16, 2003, following disclosure of those practices in the Cease and Desist Order and the negative auditor's report.

JURISDICTION AND VENUE

6. The claims asserted arise under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act” or the “1934 Act”). Jurisdiction is conferred by §27 of the 1934 Act. Venue is proper pursuant to §27 of the 1934 Act as the corporate headquarters of defendant North Country are located in this District and many of the acts complained of occurred in this District.

7. In connection with the acts, conduct and other wrongs alleged in this Consolidated Amended Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

THE PARTIES

8. Plaintiff Charles D. Lanctot purchased North Country publicly traded securities as detailed in the attached Certification, previously filed with the court, and was damaged thereby.

9. Plaintiff John F. Stevens purchased North Country publicly traded securities as detailed in the attached Certification, previously filed with the court, and was damaged thereby.

10. Defendant North Country is a Michigan corporation headquartered in Manistique, Michigan. North Country is the holding company for its banking subsidiary North Country Bank, which provides commercial bank and trust services. North Country common stock, is at all relevant times has been, held and publicly traded on the open market. Its common stock is listed on the NASDAQ Small Cap Market (“Nasdaq”). As of March 14, 2003, approximately 7 million shares of North Country common stock were issued and outstanding.

11. Defendant Sherry L. Littlejohn (“Littlejohn”) was, since May 2002 the Company’s President and Chief Executive Officer (“CEO”). Prior to May 2002, defendant Littlejohn served as

the Company's President and Chief Operating Officer. Littlejohn's resignation as president and CEO was effective May 21, 2003.

12. Defendant Ronald G. Ford was Chairman at all times relevant hereto, and was CEO of North Country Financial and North Country Bank from 1986 until April 30, 2002.

13. Defendants Littlejohn and Ford are referred to collectively herein as the "Individual Defendants."

14. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's business, operations, operational trends, financial statements, markets, and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

15. Each of the above officers of North Country, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business, operations, growth, financial statements and financial condition, as alleged herein. Said defendants were involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, were aware, or recklessly disregarded, that the false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

16. As officers and controlling persons of a publicly held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, and was traded on the NASDAQ and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to disseminate promptly, accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, markets, management, earnings and present and future business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly traded securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

17. The Individual Defendants participated in the drafting, preparation and/or approval of the various public and shareholder and investor reports and other communications complained of herein and were aware of, or recklessly disregarded, the misstatements contained therein and omissions therefrom, and were aware of their materially false and misleading nature. Because of their Board membership and/or executive and managerial positions with North Country, each of the Individual Defendants had access to the adverse undisclosed information about North Country's business operations and financial condition and performance as particularized herein and knew or recklessly disregarded that these adverse facts rendered the positive representations, made by or about North Country and its business, issued or adopted by the Company, materially false and misleading.

18. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC

filings, press releases and other public statements pertaining to the Company during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

19. Each of the defendants is liable as a participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of North Country common stock by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme deceived the investing public regarding North Country's business, operations management and the intrinsic value of North Country common stock and caused plaintiffs and other members of the Class to purchase North Country securities at artificially inflated prices.

20. Because of the Individual Defendants' positions with the Company, they had access to the adverse undisclosed information about the Company's business, operations, operational trends, financial statements, markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets and forecasts and reports of actual operations compared thereto), conversations with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

21. Each of the Individual Defendants and North Country are liable in that they inflated the price of North Country stock by making false and misleading statements and omitting material adverse information. Defendants' wrongful course of business: (i) artificially inflated the price of

North Country's stock during the Class Period; (ii) deceived the investing public, including plaintiffs and other Class members, into acquiring North Country securities at artificially inflated prices; and (iii) permitted North Country to grow and benefit economically from their wrongful course of conduct.

SUBSTANTIVE ALLEGATIONS

Pre-Class Period Developments

22. North Country was incorporated in 1974 under the laws of the state of Michigan as First Manistique Corporation. On April 14, 1998, it changed its name to North Country Financial Corporation. North Country owns all of the outstanding stock of its banking subsidiary, North Country Bank.

23. In August 2000, North Country acquired American Financial Mortgage (“American Financial”). However, almost a year later, North Country announced that it was closing American Financial to concentrate on its other mortgage subsidiary, North Country Mortgage Corporation. It was later uncovered that there were an “unusually large number of defaulted loans” at American Financial which triggered the attention of banking regulators.

Defendants’ False and Misleading Statements During the Class Period

24. During the Class Period, defendants repeatedly issued statements assuring its investors of the Company’s financial condition and that management was maintaining adequate levels of liquidity and loan losses. However, the Cease and Desist Order demonstrated that those statements were false.

25. On November 13, 2000, the first day of the Class Period, North Country filed with the Securities Exchange Commission (“SEC”) its Form 10-Q for the quarter ending September 30,

2000 (“November 2000 10-Q”) that was signed by defendant Ford. The November 2000 10-Q stated that the presentation of the financial statements contained therein included “all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation.” This statement was included in each and every Form 10-Q filed by the Company during the Class Period.

26. In a section entitled “Financial Highlights,” the November 2000 10-Q stated in pertinent part:

Year-to-date consolidated net income was \$3.7 million through September 30, 2000 compared to \$4.6 million for the same period in 1999. Diluted earnings per share were \$0.53 for the nine months ended September 30, 2000 compared to \$0.64 for the same period in 1999. The provision for loan losses increased substantially on a year-to-date basis from \$639,000 for the nine months ended September 30, 1999 to \$4.4 million for the nine months ended September 30, 2000. The loan portfolio continues a significant growth trend with gross loans increasing \$71.1 million or 15.2% since December 31, 1999. Loan growth remains focused in the commercial lending and leasing areas. The loan growth in 2000 has been funded primarily through increases in the deposit portfolio and borrowings. Deposits have increased \$64.3 million or 13.9% since December 31, 1999, with the primary area of growth being interest-bearing demand accounts. Borrowings have increased \$7.7 million or 16.5% from December 31, 1999 to September 30, 2000. (Emphasis added.)

27. In the November 2000 10-Q, the Company represented that management anticipated “no difficulty in maintaining liquidity at the levels necessary to conduct the Company’s day-to-day business activities.” With regard to liquidity, the Company also stated that:

Loans: Through the third quarter of 2000, loan balances increased by \$71.1 million or 15.2%. Management believes loans provide the most attractive earning asset yield available to the Registrant and that trained personnel and controls are in place to successfully manage a growing portfolio. Accordingly, management intends to continue to maintain loans at a high level while maintaining adequate liquidity. As shown in the table below, the overall loan mix remains relatively constant with an increase in commercial and governmental leases as a percent of total loans for the nine months ended September 30, 2000 compared to December 31, 1999. (Emphasis added.)

28. Defendants knew or recklessly disregarded that the description of the Company's business operations and financial performance in the November 2000 10-Q was false and misleading because it failed to disclose that the Company was engaging in several unsafe banking practices, as ultimately revealed in the Cease and Desist Order, including, among other things, hazardous lending and collection practices and operating in such a manner as to result in inadequate liquidity in light of the bank's asset and liability mix and excessive loan losses.

29. On March 29, 2001, North Country filed its Form 10-K for the year ended December 31, 2000 ("2000 10-K") with the SEC. Defendants Ford and Littlejohn signed the 2000 10-K. Incorporated by reference in the 2000 10-K were the Company's financial statements for that same period published in the Company's 2000 Annual Report to Shareholders, which also was filed with the SEC on March 29, 2001. The financial statements touted the Company's growth and success:

For North Country Financial Corporation ("the Corporation"), 2000 was a year of record growth. The Corporation grew total assets by 17.3%. Growth remains an important element of the Corporation's strategy, and management believes that the continued success and profitability of the Corporation depends on continuing to attract credit-worthy, and profitable assets both internally and through market expansion. To enhance its ability to grow, the Corporation formed a real estate mortgage company, North Country Mortgage Company LLC, in May 2000 and acquired another real estate mortgage company, American Financial Mortgage Corporation, in August 2000. In addition, the Corporation continued its market expansion into lower Michigan through the opening of two new branches in Cadillac and Traverse City and the purchase of two branches in Alanson and Glen Arbor. (Emphasis added.)

At December 31, 2000, the Corporation had total assets of \$667.0 million, an increase of \$98.6 million from December 31, 1999. During 2000, net loans increased 15.8% or \$72.4 million to \$532.2 million. Of the total increase in loans, \$49.8 million came from an increase in the commercial loan portfolio. In addition, the Corporation's security portfolio increased \$29.8 million from 1999 to 2000 to \$72.1 million at December 31, 2000. The increase coincides with the Corporation's strategy to invest funds from increased deposits and borrowings into securities with similar contractual maturities.

Although earnings have decreased from 1999 to 2000, overall earnings have been strong over the past several years. Net income was \$5.2 million, \$6.4 million, and \$4.6 million for 2000, 1999 and 1998, respectively. Return on average shareholders' equity was 12.1%, 15.8% and 11.2%, for 2000, 1999 and 1998, respectively. Basic earnings per share were \$0.74 in 2000, \$0.90 in 1999 and \$1.65 in 1998, representing a decrease of 17.8% from 1999 to 2000 and an increase of 38.5% from 1998 to 1999. The primary cause of the earnings decrease for 2000 is the increased provision for loan losses. The provision for loan losses for 2000 totaled \$5.9 million as compared to \$1.5 million in 1999 and \$1.2 million in 1998.

30. Also in the 2000 10-K, the Company made the following statements concerning its financial condition:

Loans represented 81.2% of total assets at the end of 2000, compared to 82.1 % at the end of 1999. The loan to deposit ratio remained relatively stable over the past two years, increasing slightly from 100.8% at December 31, 1999 to 101.8% at December 31, 2000. Loans provide the most attractive earning asset yield available to the Corporation and management believes the personnel and controls are in place to successfully manage a growing loan portfolio. Accordingly, management intends to continue to maintain loans at the highest possible level within the constraints of adequate liquidity. (Emphasis added.)

During 2000, commercial loans increased by \$49.8 million or by 19.3%. The commercial loan growth is largely due to the efforts of the relationship bankers and their ability to penetrate growth markets primarily in lower Michigan, but also in areas such as Marquette and Sault Ste. Marie. The most prominent type of financing, at \$16.6 million or 24.8% of the commercial loan portfolio, continues to focus on hospitality and tourism related industries. The remainder of the commercial loan portfolio is diversified in such categories as gaming, petroleum, forestry, and farming.

In addition to traditional commercial lending, the Corporation finances commercial and governmental leases throughout the country. As illustrated in the table above, a significant portion of the leasing activity is to governmental units, including Native American organizations. The Corporation has developed expertise and contacts in the leasing business which provide it with opportunities to purchase credit-worthy leases at attractive yields. Management closely reviews the credit quality of each proposed lease before entering into a financing agreement. The lease agreements are strictly financing; while the Corporation has access to the underlying equipment as collateral, there is no interest in the residual value of the equipment. Management continues to

pursue leases both through unrelated entities and the Corporation's subsidiary, North Country Financial Group, in Denver, Colorado. This corporation is engaged in the business of public finance and focuses on providing tax-exempt financing to municipalities located throughout the United States. (Emphasis added.)

Management analyzes the allowance for loan losses in detail on a monthly basis to ensure the losses inherent in the portfolio are properly considered. The Corporation's success in maintaining strong credit quality is demonstrated its historical charge-off experience. Net charge-offs to average loans outstanding was 0.7%, 0.2% and 0.2% for the years ended December 31, 2000, 1999 and 1998, respectively. Net charge-offs for the year ended December 31, 2000 increased \$2.6 million from the previous year. The increase was primarily due to three lending relationships charged-off in 2000 totaling \$2.3 million; after considering these specific charge-offs, the charge-off level is deemed to be manageable. To compensate for the increased charge-offs and increased levels of non-performing loans as described above, the provision for loan losses was increased \$4.4 million from \$1.5 million for the year ended December 31, 1999 to \$5.9 million for the year ended December 31, 2000. (Emphasis added.)

31. In fact, defendants knew or recklessly disregarded that the 2000 10-K and the 2000 Annual Report were false and misleading because they failed to disclose the Company's numerous unsafe banking practices, as ultimately revealed in the Cease and Desist Order. The misconduct that was disclosed as a result of the entry of the Cease and Desist Order demonstrated the falsity of the Company's professed claims that it (a) was enjoying "continued success and profitability;" (b) had "in place . . . the personnel and controls . . . to successfully manage a growing loan portfolio;" (c) was "closely review[ing] credit quality of each proposed lease before entering into a financing agreement;" (d) was experiencing a loan "charge-off level" which was manageable;" and (e) had been "tak[ing] action to reduce the level of non-performing loans."

32. Those statements are false because the Company's operations resulted in an excessive level of adversely classified assets, delinquent loans, and nonaccrual loans as well as an inadequate level of capital protection for the kind and quality of assets held.

33. According to former employees, loans for Company insiders and their related entities were often approved regardless of the quality of the loan.

34. In fact, it was know locally during the early part of the Class Period that loans were easier to obtain at North Country Bank, because they were not subjected to as stringent reviews as at other banks.

35. On April 17, 2001, North Country announced the Company's first-quarter 2001 results in a publicly disseminated press release which stated in part:

North Country Bank and Trust, has reported earnings of \$.23 per share on net income of \$1,586,000. As announced last quarter, the Board of Directors declared a \$.10 per share dividend payable to shareholders. The dividend represents an increase of 114% over the dividend declared at the same time last year. The corporation also announced progress by the Bank in managing the level of nonperforming loans in their loan portfolio. Specifically, one loan totaling \$7 million that had been on nonaccrual status at December 31, 2000 was collected in full during the first quarter of 2001. Payment of this loan was significant to the overall asset quality of the Bank. Successes have also been experienced with other nonperforming loans as evidenced by decreases in past due and nonaccrual loans between December 31, 2000 and March 31, 2001.

"We continue to be aggressive despite a sluggish national economy," said Ronald G. Ford, chairman and chief executive officer. "However, our strategy reflects the anticipation of slow growth in 2001. We are pleased with our results and the steps we are taking to ensure the quality of our loan portfolio." (Emphasis added.)

At the end of the First Quarter, North Country Financial Corporation reported total assets of nearly \$668.1 million, up from \$666.9 million for the same period last year, and up over \$1 million compared to the twelve months ended December 31, 2000. Further information regarding overall asset quality will be discussed in the Corporation's 10-Q which will be available after May 15, 2001.

36. On May 15, 2001, North Country filed with the SEC its Form 10-Q for the quarter ended March 31, 2001 ("May 2001 10-Q") that was signed by defendants Ford and Littlejohn. In the May 2001 10-Q, North Country repeated the financial results reported in the April 17, 2001,

press release. In the Management's Discussion and Analysis of Financial Condition And Results of Operations (MD&A) section of the May 2001 10-Q, the Company stated:

Provision for Loan Losses: The allowance for loan losses is maintained at a level adequate to cover losses inherent in the portfolio. The Registrant records a provision for loan losses necessary to maintain the allowance at that level after considering factors such as loan charge-offs and recoveries, changes in the mix of loans in the portfolio, loan growth, and other economic factors. (Emphasis added.)

37. Defendants knew or recklessly disregarded that the results described in the April 17, 2001, press release and the May 2001 10-Q were false and misleading because they failed to disclose the Company's numerous unsound banking practices, including that it had been grossly failing to maintain adequate levels of allowances for loan losses.

38. On July 19, 2001, North Country issued a press release in which it announced its dividend and earnings for the second quarter of 2001. The press release stated in pertinent part:

North Country Financial Corporation . . . has reported earnings for the six months ended June 30, 2001 were \$.47 per share, with \$.24 per share generated in the Second Quarter. This compares to earnings of \$.49 per share in the first half of 2000, with \$.21 per share generated in the Second Quarter of 2000. The company will continue a \$.10 per share dividend payable to shareholders. This dividend represents an increase of 112% over the dividend declared at the same time last year.

“Management continues to focus on the profitability of our operations, closely managing our credit risks, and identifying growing geographic areas within our current markets that could be better served with additional branches,” said Ronald G. Ford, chairman and chief executive officer. (Emphasis added.)

At the end of the Second Quarter, North Country Financial Corporation reported total net income of \$1.6 million and assets of \$667.8 million.

39. On August 10, 2001, North Country filed with the SEC its Form 10-Q for the quarter ended June 30, 2001 (August 2001 10-Q) that was signed by defendants Ford and Littlejohn.

In the August 2001 10-Q, North Country repeated the financial results reported in the July 19, 2001,

press release and reiterated that it had been maintaining “adequate provisions for loan losses,” despite the reported “decrease” in such provisions “by \$1.3 million and \$800,000 for the quarter ended and six month period ended June 30, 2001, respectively.”

40. In fact, defendants knew or recklessly disregarded that the results reported in the July 19, 2001, press release and the August 2001 10-Q were false and misleading because they failed to disclose the Company's numerous unsafe banking practices, as ultimately revealed in the Cease and Desist Order.

41. Defendants' representations that the Company was “focus[ing] on profitability” and “closely managing our credit risks” as well as their sizable reduction in the level of provisions for loan losses were false because they knew or recklessly disregarded the reality that the Company had an excessive level of adversely classified assets, delinquent loans, and nonaccrual loans as well as an inadequate level of capital protection for the kind and quality of assets held. Further, the Company failed to disclose that it had millions of dollars in loans to current and former directors, officers, and employees of the Bank and their related entities.

42. On October 12, 2001, defendants disseminated a press release announcing the Company's financial results for third-quarter 2001. The press release stated in pertinent part:

North Country Financial Corporation . . . has reported earnings for the nine months ended September 30, 2001 were 5.73 per share on net income of \$5.1 million. This represents increases of 35% and 36%, respectively, over the same reporting time last year. \$.27 per share of earnings was generated in the Third Quarter. Total earnings of \$.54 per share were reported for the first nine months of 2000, with \$.05 per share generated in the Third Quarter of 2000. The company will continue a \$.10 per share dividend payable to shareholders. Last year at this time, the Corporation changed its dividend declaration timing, causing two dividends totaling \$.1434 to be declared.

“The impact of the World Trade Center disaster has slowed the pace of the economy,” said Ronald G. Ford, chairman and chief executive officer. “This slowing

will undoubtedly impact our loan portfolio. We continue to monitor our loans closely and will take appropriate action to deal with these issues. Nevertheless, we are optimistic about the economy overall and the future of our great country.” (Emphasis added.)

At the end of the Third Quarter, North Country Financial Corporation reported total assets of \$664 million. This represents a slight decline from total assets of \$667 million as of December 31, 2000.

43. On November 4, 2001, the Traverse City Record Eagle, reported that “Federal and state regulators are investigating the parent company of Traverse City-based North Country Bank and Trust and the mortgage subsidiary it abruptly shut down in August . . .” The focus of the investigation was reported to be the mortgage origination practices of the companies. The article further stated:

North Country’s attorneys told the Federal Deposit Insurance Corp. that the federal Housing and Urban Development agency had “discovered false documents and serious improprieties” in its examination of American Financial loans, according to a Sept. 20 letter to a former loan officer from David Mangian, an FDIC regional director. HUD recommended that bank managers “cease and desist from any further loan activities” through American Financial.

44. Defendant Ford declined to be interviewed and through Bank’s attorney, Anthony Devine, he declined to discuss any aspect of the American Financial matter beyond the Company’s August 29, 2001 press release, which greatly downplayed the significance of the closing of American Financial. Defendants, by this evasion, once again failed to disclose the Company’s unsound banking practices.

45. Not long afterwards, on November 11, 2001, an article in the Traverse City Record Eagle, referenced “a September review of [regional] economic indicators by North Country Bank and Trust,” in which defendant Ford expressed a sham reverence for business “resolve and integrity:”

The report quoted North Country Bank and Trust chief executive officer Ron Ford as saying: “Although this economic index is not reporting all good news, our region will

surely rebound from its slight dips. I expect that within the next few quarters, our economy will strength[en] as a result of the resolve and integrity of our business community.” (Emphasis added.)

46. On November 14, 2001, North Country filed with the SEC its Form 1Q-Q for the quarter ended September 30, 2001 (“November 2001 10-Q). The November 2001 10-Q, which was signed by defendants Ford and Littlejohn, repeated the financial results reported in the October 12, 2001, press release.

47. Defendants knew or recklessly disregarded that the results described in the October 12, 2001, press release and the November 2001 10-Q were false and misleading because they failed to disclose the Company's unsafe banking practices, as ultimately revealed in the Cease and Desist Order. The company’s statements covered up its failure to “monitor [its] loans closely,” and instead tried to divert away the blame for any disappointing financial results to the tragic events of September 11, 2001. The Company failed to act with “integrity” and evaded its obligation to report on the scrutiny by the regulatory agencies of the “false documents and serious improprieties” alleged to have been occurring at its American Financial subsidiary.

48. In a January 30, 2002 press release, the Company announced its fourth quarter dividend and earnings:

NFC, the holding company for North Country Bank and Trust, has reported earnings for the twelve months ended December 31, 2001 were \$.82 per share on net income of \$5.8 million. This represents increases of 10.8% and 11.4% respectively, compared to end-of-year results for 2000. The company will continue a \$.10 per share dividend payable on January 31, 2002 to shareholders of record as of January 16, 2002.

“The World Trade Center disaster and unseasonably warm weather has slowed the economy in the geographic area we service,” said Ronald G. Ford, chairman and chief executive officer. “The tourism and hospitality businesses that depend upon snow saw their income decrease significantly during the fourth quarter. Management continues to monitor our loan portfolio closely and is taking appropriate action to deal

with slow paying accounts. We remain confident in our customers, our people and our great country.”

At the end of the Fourth Quarter, North Country Financial Corporation reported total net income of \$673,000 and assets of \$636.6 million. This represents a decrease in assets of approximately \$30 million or 4.5% since December 31, 2000. The decrease is largely attributed to the sale of branches in St. Ignace, Mackinac Island, Curtis and Naubinway, with total deposits of \$22.7 million.

49. Defendants knew or recklessly disregarded that the results described in the January 30, 2002 press release were false and misleading because they failed to disclose the unsafe banking practices, as ultimately revealed in the Cease and Desist Order, and defendants’ failure to “monitor [its] loan portfolio closely.” Instead, they falsely shifted the blame for the poor results to extraneous factors such as the September 11, 2001 tragedies and the weather.

50. Defendant Ford’s statement in the January 30, 2002 press release referencing the tourism and hospitality businesses was also false and misleading because he failed to disclose that the Company maintained a disproportionately high loan concentration to the hospitality industry.

51. On February 20, 2002, the Traverse City Record Eagle reported that in January 2002, state regulators of the Office of Financial and Insurance Services denied North Country Bank’s applications to open five new branches because the Company was deemed not to be in a financial position to do so. The article also noted that it was rare for Michigan regulators not to approve a new branch.

52. However, instead of disclosing the Company’s true financial condition and banking practices, North Country’s lawyer, Donald Brandt, said: “The bank has (and continues) to enjoy strong financial stability.”

53. On March 29, 2002, North Country filed with the SEC its Form 10-K for the year

ending December 31, 2001 (2001 10-K). Defendants Ford and Littlejohn, among others, signed the 2001 10-K. Incorporated by reference into the 2001 10-K were the Company's financial statements for 2001, published in the Company's 2001 Annual Report to Shareholders, also filed with the SEC on March 29, 2002. The financial statements, in part, stated:

Decreases in interest rates during 2001 had the greatest impact on interest income during the year. This impact on interest income, as a function of rate, can be directly attributed to the actions taken by the Federal Reserve. During 2001, in its effort to address the slowing economy, the Federal Reserve reduced the Fed Funds Rate, the rate charged the interbank market for purchase of excess reserve balances, by 475 basis points, from 6.5% to 1.75%. For North Country Financial Corporation (“the Corporation”), 2001 was a year of monitoring and restructuring its balance sheet to address the volatile rate environment. Although the Corporation decreased in assets by 4.6%, growth remains an important element of the Corporation's strategy, and management continues to believe that the continued success and profitability of the Corporation depends on continuing to attract credit-worthy, and profitable assets both internally and through market expansion.

At December 31, 2001, the Corporation had total assets of \$636.6 million, a decrease of \$30.4 million from December 31, 2000. During 2001, net loans decreased 7.2% or \$38.3 million to \$494.0 million. Of the total decrease in loans, \$20.3 million was in the residential real estate loan portfolio mostly attributed to borrowers refinanced from variable to fixed rate loans. In addition, the Corporation's security portfolio decreased \$10.2 million from 2000 to 2001 to \$61.9 at December 31, 2001. Total deposits decreased 9.3% or \$49.4 million. This decrease in deposits includes a net decrease of \$22.7 million related to branch sales, and the remaining \$26.7 million decrease in deposits, were deposits that matured primarily in the 6.00% to 7.50% range, as the Corporation elected to pursue shorter term, less costly sources of funding.

Even though assets decreased by \$30.4 million during 2001, the trend line from 1997 through 2001 shows that assets have increased by 51 % or \$ 215 million. During the same five-year period, net loans grew \$127 million, or 34.6%, and securities increased \$51.7 million, or 511 %.

Growth will continue to be an important element of the Corporation's strategy, and selective bank and branch acquisitions may continue to occur as opportunities arise. The Corporation's banking offices are located in Michigan, a state that covers a large geographic area and has a low population density. Because of the nature of this market area, the cost of operating the Corporation's banking network is higher than the average for banking companies the same size as the Corporation.

Even though interest rates have decreased dramatically over the past year, earnings have increased from 2000 to 2001, and overall earnings have been strong over the past several years. Net income was \$5.8 million, \$5.2 million, and \$6.4 million for 2001, 2000 and 1999, respectively. Return on average shareholders' equity was 12.5%, 12.1% and 15.8%, for 2001, 2000 and 1999, respectively. Basic earnings per share were \$0.82 in 2001, \$0.74 in 2000 and \$0.90 in 1999, representing an increase of 10.8% from 2000 to 2001 and a decrease of 17.8% from 1999 to 2000. The fluctuations in net income from 1999 through 2001 were primarily a result of changes in the provisions for loan losses. The provision for loan losses for 2001 totaled \$3.2 million as compared to \$5.9 million in 2000 and \$1.5 million in 1999.

54. With regard to its loan portfolio, the Company stated in the 2001 10-K:

Loans represented 79.2% of total assets at the end of 2001, compared to 81.2% at the end of 2000. The loan to deposit ratio increased from 101.8% at December 31, 2000 to 104.5% at December 31, 2001. Loans provide the most attractive earning asset yield available to the Corporation and management believes the personnel and controls are in place to successfully manage the loan portfolio. Accordingly, management intends to continue to maintain loans at the highest possible level within the constraints of adequate liquidity. (Emphasis added.)

Management analyzes the allowance for loan losses in detail on a quarterly basis to ensure the losses inherent in the portfolio are properly considered. The Corporation's success in maintaining strong credit quality is demonstrated in its historical charge-off experience. Net charge-offs to average loans outstanding was 0.5%, 0.7% and 0.2% for the years ended December 31, 2001, 2000 and 1999, respectively. Net charge-offs for the year ended December 31, 2001 decreased \$1.1 million from the previous year. The provision for loan loss was decreased \$2.7 million from \$5.9 million for the year ended December 31, 2000 to \$3.2 million for the year ended December 31, 2001.

Nonaccrual loans have decreased \$6.5 million from December 31, 2000 to December 31, 2001 while loans 90 days or more past due and still accruing have increased by \$6.0 million during that same time period. At December 31, 2001, loans to two commercial borrowers represented \$3.1 million of the \$4.0 million of nonaccrual loans. Included in the December 31, 2001 totals for loans 90 days or more delinquent and still accruing are loans to two commercial borrowers totaling \$5.0 million; the remaining balance of loans 90 days or more delinquent consists of twenty-nine smaller commercial, residential real estate and consumer loans. Management continues to monitor the situation on the non-performing loans and has taken actions to reduce the level of non-performing loans. (Emphasis added.)

55. Defendants knew or recklessly disregarded that the 2001 10-K and the 2001 Annual Report were false and misleading because they failed to disclose the Company's numerous unsafe banking practices, as ultimately revealed in the Cease and Desist Order. Again defendants tried to divert the blame for any disappointing financial results to the Federal Reserve's reductions in the interbank interest rate and falsely assured the public that they had been carefully maintaining adequate loan loss reserves, rather than disclosing that it did not have adequate levels of protection for the kind and quality of assets it held. Defendants' statements are also false and misleading because the Bank had excessive levels of adversely classified assets, delinquent loans, and nonaccrual loans and capital protection for the kind and quality of assets held as well as \$17.5 million in loans to current and former directors, officers, and employees of the Bank and their related entities.

56. On April 17, 2002, North Country disseminated a press release announcing the Company's results for the first quarter 2002. The press release included a statement by defendant Ford and stated in pertinent part:

North Country Financial Corporation . . . has reported primary earnings per share of \$0.14 on net income of \$1 million for the first quarter ended March 31, 2002. Although these results are down 39.1 % and 36.8%o respectively, compared to first quarter of 2001, they were not unexpected by management because of the compression of interest rates over the past year. Compared to the 4th quarter of 2001, net income rose 49% during this reporting period. The Corporation also declared a dividend on April 16, 2002 of \$0.10 per share, payable on April 30, 2002 to shareholders of record on April 23, 2002.

"Despite the slowdown experienced by all banks after 9-11 of last year, we continue to be optimistic about our economy," said Ronald C. Ford, chairman and chief executive officer. "Many of our customers in tourism and hospitality businesses demonstrated great resiliency over the last six months and we are now seeing increases in loan activity ranging from commercial loans to the residential mortgage market. Management's aggressive actions have also reduced our exposure to slow-paying or non-paying loans and we have not needed to increase our provision for loan losses." (Emphasis added.)

At the end of the First Quarter, North Country Financial Corporation reported a two percent decrease in total assets, from \$636.6 million at December 31, 2001 to \$623.4 million on March 31, 2002. The decrease is largely attributed to the net decrease in deposits due to the lowering of the Federal Funds Rate throughout last year.

57. The next day, North Country disseminated a press release announcing the appointment of Defendant Littlejohn as the Company's new CEO:

Ronald Ford, Chairman and Chief Executive Officer of North Country Financial Corporation . . . announced his intention to retire April 30 as Chief Executive Officer of both organizations.

Ford will assist the corporation in a consulting role. "It has been exciting to witness the expansion of the bank over the years," said Ford. "I'm proud of the growth of the corporation and proud of the new management team headed by Sherry Littlejohn, President and CEO . . . She brings with her an intimate knowledge of virtually every aspect of banking and finance and this should ensure the continued success of the organization."

58. Defendants knew or recklessly disregarded that the April 17, 2002 press release, as well as defendant Ford's contemporaneous representations about the company's "continued success," were false and misleading because they failed to disclose the Company's numerous unsafe banking practice as ultimately revealed in the Cease and Desist Order. Defendants, again, diverted attention away from the Company's unsound banking practices by focusing on the tragedies of September 11, 2001 and the Federal Reserve's reductions in interest rates in an attempt to camouflage their failure to maintain adequate loan loss provisions.

59. On May 13, 2002, North Country filed with the SEC its Form 10-Q for the quarter ended March 31, 2002 ("May 2002 10-Q"). Defendants Ford and Littlejohn signed the Form 10-Q. In the May 2002 10-Q, North Country repeated the financial results reported in the April 17, 2002, press release and reported that the allowance for loan losses was decreased by \$750,000 compared to the previous year due, purportedly due, to the Company experiencing "decreases in net charge-

offs, decreases in the overall loan portfolio and decreases in non-performing loans.”

60. In fact, defendants knew or recklessly disregarded that the results reported in the April 17, 2002, press release and the May 2002 10-Q were false and misleading because they failed to disclose the Company's unsafe banking practices as ultimately revealed in the Cease and Desist Order, which did not justify the decrease in allowance for loan losses.

61. On July 24, 2002, defendants issued a press release announcing North Country's financial results for the second quarter 2002. This press release included statements by defendant Ford and stated in pertinent part:

North Country Financial Corporation . . . has reported a loss of \$1.1 million, or \$.15 per share for the quarter ended June 30, 2002, and a year-to-date loss of \$104,000, or \$.01 per share.

For the second quarter of 2001 net income was \$1.6 million, or \$.23 per share, and for the six-months ended June 30, 2001, net income was \$3.2 million, or \$.46 per share.

The loss recognized for the quarter ended June 30, 2002, can be attributed to the provision for loan losses during the quarter of \$4 million. This compares to a provision for loan losses of \$275,000 during the comparable period in 2001.

"The prolonged downturn in the economy has continued to have a negative impact on our customers in the tourism and hospitality industries, and has now begun to impact customers in other industries in our market area," said Ron Ford, Chairman. "We have continued our efforts toward identifying and resolving possible problem credits. The provision for loan losses recognized during this quarter is a result of management's ongoing proactive review of the current loan portfolio. Management continues to closely watch the loan portfolio and is implementing tighter controls and stricter underwriting guidelines." (Emphasis added.)

As of June 30, 2002, North Country Financial Corporation had total assets of \$619.8 million, a 2.6% decline from the total assets at December 31, 2001, of \$636.6 million. The largest reason for the decrease in total assets is a \$10.7 million decrease in total loans, which is a result of management's decision to reduce the level of loans and an overall tightening of credit underwriting.

62. On August 14, 2002, North Country filed with the SEC its Form 10-Q for the quarter ended June 30, 2002 (“August 2002 10-Q”). Defendants Ford and Littlejohn signed the Form 10-Q. In the August 2002 10-Q, North Country repeated the financial results reported in the July 24, 2002, press release. The Company reported a staggering increase in its provision for loan losses to \$4.05 million for the sixth months ended June 30, 2002 from \$1.8 million for the comparable period in the previous year.

63. In fact, defendants knew or recklessly disregarded that the results reported in the July 24, 2002, press release and the August 14, 2002, Form 10-Q were false and misleading because they failed to disclose the Company's unsafe banking practices as ultimately revealed in the Cease and Desist Order. Defendants falsely blamed this development on a slowdown in the national and local economies and, in particular, a slowdown in the hotel and tourism industry. However, defendants failed to disclose that the Company's loan portfolio included a disproportionately high concentration of loans to businesses in that industry.

64. These statements disguised the fact that the crux of the problem was attributable to the Company's failure to maintain adequate loan loss provisions as well as its excessive levels of adversely classified assets, delinquent loans, and nonaccrual loans and capital protection for the kind and quality of assets held.

65. On October 30, 2002, North Country issued a press release announcing the Company's financial results for the third quarter 2002. The press release stated that the Company was suspending its quarterly dividend and reported a \$7 million loss attributable to a \$10.7 million provision for loan losses during the quarter (as compared to a loan loss provision of \$825,000 for the comparable period the prior year). The press release included a statement by defendant Ford:

North Country Financial Corporation . . . has reported a loss of \$7.0 million or \$.99 per share for the quarter ended September 30, 2002, and a year-to-date loss of \$7.1 million, or \$1.01 per share.

For the third quarter of 2001, net income was \$1.9 million, or \$.27 per share, and for the nine-months ended September 30, 2001, net income was \$5.1 million, or \$.73 per share.

The loss recognized for the quarter ended September 30, 2002, can be attributed to a \$10.7 million provision for loan losses during the quarter. This compares to a provision for loan losses of \$825,000 during the comparable period in 2001. As a result of the year-to-date loss, the Company's Board of Directors decided not to declare a dividend for the third quarter.

"The prolonged uncertainty in the economy continues to put pressure on our customers in all industries. We have previously recognized the significant negative impact the economy had on our customers in the tourism and hospitality industries, and have seen that continue in the third quarter. As a result of the general slowdown in the Michigan manufacturing sector, we have now recognized more weakness in other industries, as well as with our consumer customers, which resulted in the increase in recognized losses and the allowance for loan losses in the third quarter," said Ronald Ford, Chairman, "Management is committed to actively managing existing problem loans, as well as implementing tighter controls and stricter underwriting guidelines on all extensions of credit."

66. On November 11, 2002, Rehman Robson, the Company's auditors, abruptly resigned while in the middle of planning the 2002 year-end audit of the Company's financial statements. No explanation was provided by either the Company or the auditors.

67. On November 14, 2002, North Country filed with the SEC its Form 10-Q for the quarter ended September 30, 2002 ("November 2002 10-Q"). Defendants Ford and Littlejohn signed the Form 10-Q. In the November 2002 10-Q, North Country repeated the financial results reported in the October 30, 2002, press release.

68. In the "Financial Highlights" portion of the MD&A section of the November 2002 10-Q, the Company reported that:

Year-to-date consolidated net loss was \$7.1 million through September 30, 2002, compared to net income of \$5.1 million for the same period in 2001. Diluted loss per share was \$1.01 for the nine months ended September 30, 2002, compared to earnings of \$0.73 for the same period in 2001. The provision for loan losses increased on a year-to-date basis from \$1.9 million for the nine months ended September 30, 2001 to \$14.7 million for the nine months ended September 30, 2002. Total assets declined \$27.8 million from December 31, 2001 to September 30, 2002. The loan portfolio continued to experience declines through the third quarter of 2002, decreasing \$40.5 million from December 31, 2001 to September 30, 2002. Deposits have decreased \$19.2 million since December 31, 2001. (Emphasis added.)

69. The Company further reported in the “Loans” portion of that section of the November 2002 10-Q:

Through the third quarter of 2002, loan balances decreased by \$40.5 million or 8.0%. As planned, the Bank continues to decrease certain segments of its loan portfolio through tightened underwriting and credit practices and controls. Enhancements to the loan approval process and exception reporting further provide for a more effective management of risk in the loan portfolio. Management continues to actively manage the loan portfolio seeking to identify and resolve problem assets at an early stage. Management believes a properly positioned loan portfolio provides the most attractive earning asset yield available to the Corporation and, with changes to the loan approval process and exception reporting, controls are in place to more effectively manage the risk in the loan portfolio. As shown in the table below, the decrease in the loan portfolio between December 31, 2001 and September 30, 2002, resulted mainly from declines in commercial, commercial real estate, and residential real estate loans. (Emphasis added.)

70. In the November 2002 10-Q, the Company misrepresented, that, despite staggering financial setbacks, it was in control of the erosion in its loan pool:

Management analyzes the allowance for loan losses in detail on a quarterly basis to ensure that the losses inherent in the portfolio are properly reserved for. Net charge-offs to gross loans outstanding increased to 2.05% from 0.33% for the nine months ended September 30, 2002 and 2001, respectively. Net charge-offs for the nine-month period ended September 30, 2002, were \$9,513,000 compared to \$1,706,000 for the same period in 2001. The provision for loan losses was increased \$12.8 million from \$1.9 million for the nine months ended September 30, 2001 to \$14.7 million for the nine months ended September 30, 2002. (Emphasis added.)

71. Defendants knew or recklessly disregarded that the results reported in the October 30, 2002, press release and the November 2002 10-Q were false and misleading because they failed to disclose the Company's unsafe banking practices, as ultimately revealed in the Cease and Desist Order, and sought, instead, to now blame the “general slowdown in the Michigan manufacturing sector” for the Company’s financial woes. Contrary to the statements they disseminated, defendants had not “tightened [NCFC’s] underwriting and credit practices and controls” nor did they actually “ensure that the losses inherent in the portfolio are properly reserved for.”

72. Although in the November 2002 10-Q, the Company belatedly disclosed the myriad of increased operating requirements imposed on the Company by various regulatory agencies since January 2002, defendants continued to withhold the true extent of the Company’s problems from the public.

Substantial Increase in “Internally Classified Assets”

73. On January 9, 2003, the Company filed a Form 10-Q/A amendment to the November 2002 10-Q. The amendment restated the net loss to \$8.6 million for the nine-months ended September 30, 2002 and reflected “an additional provision for loan losses of \$2,310,000, net of taxes of \$785,000, for an increase in the net loss of \$1,525,000 from the previously reported financial statements.” The amended report also stated that as a result of ongoing review performed internally and by the Bank’s regulators, there was a “substantial increase in “internally classified assets.” Included in the “classified assets” were \$17.5 million in loans to current and former directors, officers, and employees of the Bank and their related entities.

74. On February 14, 2003, the Traverse City Record Eagle reported on the larger than previously reported loss at North Country and mentioned that “internally classified assets,”

including insider loans, then made up 3.8% of the Company's outstanding loans which was significantly above the industry norm of 1-2%.

75. Once again misdirecting the investing public, the Company's spokesman and attorney Donald Brandt was quoted:

"I think that everybody is satisfied with the (loan) reserves and that there's no bad news left in that area, that the bank is headed in a good direction."

"We're looking forward to 2003 to making good loans and making profits," he said." (Emphasis added.)

THE TRUTH IS REVEALED

76. On April 11, 30, 2002, North Country filed a Form 8-K with the SEC stating that:

"[a] Cease and Desist Order (the "Order") has been entered pertaining to North Country Financial Corporation's principal subsidiary, North Country Bank and Trust (the "Bank"). The order was entered by the Federal Deposit Insurance Corporation and the Michigan Office of Financial and Insurance Services, with the consent of the Bank, and became effective April 5, 2003...."

77. Attached to the Form 8-K was a copy of the Cease and Desist Order which detailed numerous "unsafe or unsound banking practices and violations of law, rule, or regulation" at North Country.

78. The Cease and Desist Order identified deficiencies in the Bank's policies and procedures for safe and sound operation, including its directorate and management personnel and practices, credit underwriting, credit administration, and policies regarding asset/liability management, liquidity, funds management and investment, and the company's compliance with applicable laws and regulations.

79. Among the problems cited by regulators was \$17.5 million in loans to “current and former directors, officers and employees” and their businesses. Joe Petterson, chief banking examiner with Michigan’s Office of Financial and Insurance Services stated, “[North Country] made a lot of loans . . . to their management group” as well as the hospitality and gaming industries. Petterson called the action against North Country “relatively rare” and said that the Cease and Decease Order stemmed from “credit quality issues.”

80. The Cease and Desist Order required the Bank to take a series of corrective actions within time periods specified and to maintain capital ratios at levels set forth therein, or to take action to restore such ratios within 60 days because the Bank’s regulatory ratios did not satisfy the requirements. It was also demanded in the Cease and Desist Order that the Company cut its loans to businesses connected with hospitality and gaming.

81. Pursuant to the Cease and Desist Order, the Company was required to curtail the power of defendant Ford and to seek restitution from him for money paid to him after mid-April 2002.

82. Four days later, North Country filed with the SEC its Form 10-K for the year ending December 31, 2002 (“2002 10-K”). On the same day, the company issued its 2002 Annual Report to Shareholders, which was incorporated by reference in the Form 10-K. The 2002 Annual Report included a report by the Company’s independent auditor, Plante & Moran PLLC. In the report, the auditor stated its “substantial doubt about [North Country’s] ability to continue as a going concern.”

83. Market reaction to this news was swift. Investor reaction to the Company's unsafe banking practices, as ultimately revealed in the April 2003 Cease and Desist Order and

the auditor's substantial doubt that North Country could continue as a going concern, was sharply negative. By the close of trading on April 16, 2003, one day after the 2002 10-K and 2002 Annual Report were disseminated, North Country's stock price plunged more than seventeen percent (17%) from the previous day's close as a result of this news falling to \$2.35 per share.

84. In its Proxy Statement dated April 29, 2003, the Company disclosed for the first time the extent of the loans to its insiders. Among the insiders who directly, or through an affiliated entity, received these favorable loans were: defendant Ford; director Bernard A. Bouschor (in excess of \$6 million); director Stanley J. Gerou II (in excess of \$3 million); director John D. Lindroth; director (until 2002) Michael Henrickson (who was bestowed: a working capital line of credit for the purchase of a hotel; a working capital line of credit for over \$3 million; and, a five year term loan for over \$3 million); director (until December 2002) Glen Tolksdorf (in excess of \$2.5 million); and, director (until October 2002) Wesley Hoffman (almost \$1 million plus over \$230 thousand in Company legal fees paid out to his law firm in 2000 and 2001).

85. Subsequently, on May 23, 2003, the Company announced the resignation of its President and CEO, Sherry Littlejohn effective May 21, 2003. The Company also announced the resignation of CFO Robert Taylor. The prior day, the stock had closed at a price of \$2.00 per share.

86. A week later, after eliminating the management that was in office during the time that undisclosed illegal and unsound banking practices had become the modus operandi of the Company, the Company announced new management. John Lindroth, president of Superior

State Agency in Manistique, was named interim CEO and Louis Hollow, retired CEO of Charlevoix State Bank, was named President of the Company and North Country Bank. The Company also announced the appointment of William Fitzgerald, a 35-year banking industry veteran, as CFO and Jani Blake, a 23-year banking veteran, as Chief Operating Officer.

87. In furtherance of its implementation of new management with banking experience, on September 9, 2003, the Company announced that it had hired Kelly W. George, a former bank examiner and loan specialist, as Chief Lending Officer of North Country Bank.

UNDISCLOSED ADVERSE INFORMATION

88. The market for North Country's common stock was open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, North Country's common stock traded at artificially inflated prices during the Class Period. Plaintiffs and other members of the Class purchased or otherwise acquired North Country common stock relying upon the integrity of the market price of North Country's common stock and market information relating to North Country, and have been damaged thereby.

89. During the Class Period, defendants materially misled the investing public, thereby inflating the price of North Country's common stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make defendants' statements, as set forth herein, false and misleading. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about the Company, its business and operations, as alleged herein.

90. At all relevant times, the material misrepresentations and omissions particularized

in this Consolidated Amended Complaint directly or proximately caused or were a substantial contributing cause of the damage sustained by plaintiffs and the other members of the Class. As described herein, during the Class Period, defendants made or caused to be made a series of materially false or misleading statements about North Country's business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of North Country and its business, prospects and operations, thus causing the Company's common stock to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in plaintiff and other members of the Class purchasing the Company's common stock at artificially inflated prices, thus causing the damages complained of herein.

ADDITIONAL SCIENTER ALLEGATIONS

91. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding North Country, their control over, and/or receipt and/or modification of North Country's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning North Country, participated in the fraudulent scheme alleged herein.

92. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. The ongoing fraudulent scheme described in this complaint could not have been perpetrated over a substantial period of time, as has occurred, without the knowledge and complicity of the personnel at the highest level of the Company, including the Individual Defendants.

FRAUD ON THE MARKET

93. At all relevant times, the market for North Country's common stock was an efficient market for the following reasons, among others:

(a) North Country's stock met the requirements for listing, and was listed and actively traded on the Nasdaq, a highly efficient and automated market;

(b) As a regulated issuer, North Country filed a periodic public reports with the SEC and the Nasdaq;

(c) North Country regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) North Country was followed by at least one securities analyst who wrote reports which were made available to the investing public.

94. As a result of the foregoing, the market for North Country's common stock promptly digested current information regarding North Country from all publicly available sources and reflected such information in North Country's stock price. Under these

circumstances, all purchasers of North Country's common stock during the Class Period suffered similar injury through their purchase of North Country's common stock at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

95. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as forward-looking statements when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of North Country who knew that those statements were false when made.

FIRST CLAIM **Violation Of Section 10(b) Of** **The Exchange Act Against And Rule 10b-5** **Promulgated Thereunder Against All Defendants**

96. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

97. During the Class Period, defendants carried out a plan, scheme and course of

conduct which was intended to and, throughout the Class Period, did: (1) deceive the investing public, including plaintiffs and other Class members, as alleged herein; and (2) cause plaintiffs and other members of the Class to purchase North Country's common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

98. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's common stock in an effort to maintain artificially high market prices for North Country's common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

99. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of North Country as specified herein.

100. These defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of North Country's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material

facts necessary in order to make the statements made about North Country and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of North Country common stock during the Class Period.

101. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (1) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (2) each of these defendants, by virtue of his or her responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (3) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (4) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

102. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing North Country's operating condition and future

business prospects from the investing public and supporting the artificially inflated price of its common stock. As demonstrated by defendants' overstatements and misstatements of the Company's business, operations and earnings throughout the Class Period, defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

103. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of North Country's common stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of North Country's publicly-traded common stock were artificially inflated, and relying directly or indirectly on the false and misleading statements made by defendants, or upon the integrity of the market in which the common stock trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiffs and the other members of the Class acquired North Country common stock during the Class Period at artificially high prices and were damaged thereby.

104. At the time of said misrepresentations and omissions, plaintiffs and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiffs and the other members of the Class and the marketplace known the truth regarding North Country's financial results, which were not disclosed by defendants, plaintiffs and other members of the Class would not have purchased or otherwise acquired their North Country common stock, or, if they had acquired such common stock during the Class Period, they would

not have done so at the artificially inflated prices which they paid.

105. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

106. As a direct and proximate result of defendants' wrongful conduct, plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's common stock during the Class Period.

SECOND CLAIM
Violation Of Section 20(a) Of
The Exchange Act Against the Individual Defendants

107. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

108. The Individual Defendants acted as controlling persons of North Country within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

109. In particular, each of these defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

110. As set forth above, North Country and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

WHEREFORE, plaintiffs pray for relief and judgment, as follows:

(a) Determining that this action is a proper class action and certifying plaintiffs as a class representatives under Rule 23 of the Federal Rules of Civil Procedure and plaintiffs' counsel as Class Counsel;

(b) Awarding compensatory damages in favor of plaintiffs and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) Awarding plaintiffs and the other Class members their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: December 1, 2003

MILLER SHEA P.C.

By: _____

E. Powell Miller, P39487
Marc L. Newman, P51393
1301 West Long Lake Road, Suite 134
Troy, Michigan 48098
Telephone: (248) 267-8200
Facsimile: (248) 267-8211

Liaison and Co-Lead Counsel for Plaintiffs

Mark C. Gardy
Stephanie Amin-Giwner
ABBEY GARDY, LLP
212 East 39th Street
New York, New York 10016
Telephone: (212) 889-3700
Facsimile: (212) 684-5191

Co-Lead Counsel for Plaintiffs

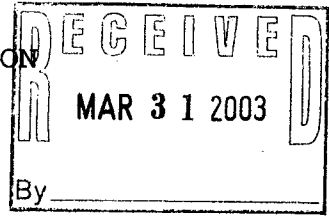
Lionel Z. Glancy
Neal A. Dublinsky
GLANCY & BINKOW LLP
1801 Avenue of the Stars, Suite 311
Los Angeles, California 90067
Telephone: (310) 201-9150
Facsimile: (310) 201-9160

Mark Topaz
Richard A. Maniskas
SCHIFFRIN & BARROWAY, LLP
3 Bala Plaza East Suite 400
Bala Cynwyd, Pennsylvania 19004
Telephone: (610) 667-7706
Facsimile: (610) 667-7056

Counsel for Plaintiffs

C/a

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.



and

STATE OF MICHIGAN

OFFICE OF FINANCIAL AND INSURANCE SERVICES

In the Matter of)	
)	
NORTH COUNTRY BANK AND TRUST)	ORDER TO CEASE AND DESIST
MANISTIQUE, MICHIGAN)	
)	FDIC-03-002b
(Insured State Nonmember Bank))	
)	

North Country Bank and Trust, Manistique, Michigan, ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law, rule, or regulation alleged to have been committed by the Bank and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under section 2304 of the Banking Code of 1999, Mich. Comp. Laws § 487.12304, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the Office of Financial and Insurance Services for the State of Michigan ("OFIS"), dated March 19, 2003, whereby, solely for the purpose of this

proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law, rule, or regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and OFIS.

The FDIC and OFIS considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe and unsound banking practices and had violated laws, rules, or regulations. The FDIC and OFIS, therefore, accepted the CONSENT AGREEMENT and issued the following:

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of law, rule, or regulation:

A. Engaging in hazardous lending and lax collection practices, including, but not limited to:

- The failure to obtain proper loan documentation;
- The failure to obtain adequate collateral;
- The failure to establish and enforce adequate loan repayment programs;
- The failure to obtain current and complete financial information;

- Extending credit with inadequate diversification of risk; and
- Other poor credit administration practices.

B. Operating in such a manner as to result in an excessive level of adversely classified assets, delinquent loans, and nonaccrual loans.

C. Maintaining a loan concentration to the hospitality industry in excess of that specified in paragraph 12 of this ORDER.

D. Operating in such a manner as to result in an inadequate level of capital protection for the kind and quality of assets held.

E. Paying excessive dividends in relation to the Bank's capital position, earnings capacity and asset quality.

F. Violating law, rule, or regulation, including:

State Laws

- The requirement to sign the minutes of each board meeting as set forth in section 3501(6) of the Banking Code of 1999, Mich. Comp. Laws § 487.13501(6).

Regulation O

- The preferentiality, more than normal risk of repayment and unfavorable features prohibitions of section 215.4(a)(1) of Regulation O of the Board of

Governors of the Federal Reserve System ("Regulation O"), 12 C.F.R. § 215.4(a)(1).

- The overdraft restrictions of section 215.4(e) of Regulation O of the Board of Governors of the Federal Reserve System ("Regulation O"), 12 C.F.R. § 215.4(e).

Regulation U

- The filing requirements for extending credit in an amount exceeding \$100,000 and secured by margin stock as outlined in section 221.3(c)(1) of Regulation U of the Board of Governors of the Federal Reserve System ("Regulation U"), 12 C.F.R. § 221.3(c)(1).

FDIC Rules and Regulations

- The restrictions for extending credit to any related interest of any director in an amount that exceeds \$500,000, which require that the interested party abstain from voting, as prescribed in section 337.3(b) of the FDIC Rules and Regulations, 12 C.F.R. § 337.3(b).
- The limits and prohibitions for entering into contracts to pay or make golden parachute payments to institution-affiliated parties as described in Part 359 of the FDIC Rules and Regulations, 12 C.F.R. Part 359.

- The appraisal requirements for extending loans secured by real estate over \$1,000,000 as outlined in section 323.3(d) of the FDIC Rules and Regulations, 12 C.F.R. § 323.3.
- The filing of suspicious activity reports as required in section 353.3(a) of the FDIC Rules and Regulations, 12 C.F.R. § 353.3.
- The requirement for disclosure of financial and other information in an annual disclosure statement as prescribed under section 350.4 of the FDIC Rules and Regulations, 12 C.F.R. § 350.4.

G. Operating in such a manner as to result in inadequate liquidity in light of the Bank's asset and liability mix.

H. Operating in such a manner as to result in inadequate net interest margins.

I. Operating in such a manner as to result in excessive loan losses.

J. Operating with an inadequate asset/liability policy, funds management policy, and investment policy.

K. Paying excessive compensation.

L. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

M. Operating with a board of directors which fails to provide adequate supervision over and direction to the management of the Bank to prevent unsafe or unsound banking practices and violations of law, rule, or regulation.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. (a) Within 30 days from the last day of each calendar quarter following the effective date of this ORDER the Bank shall determine from its Report of Condition and Income its level of Tier 1 capital as a percentage of its total assets ("capital ratio") for that calendar quarter. If the capital ratio is less than the minimum percentage for such calendar quarter set forth in the table, the Bank shall, within 60 days of the date of the required determination, increase its capital ratio to not less than the minimum percentage for such calendar quarter set forth in the table, calculated as of the end of that preceding quarterly period.

<u>Calendar Quarter Ending</u>	<u>Minimum Tier 1 Capital Ratio</u>
3/31/03, 6/30/03	6.40%
9/30/03 and thereafter	8.0%

For purposes of this ORDER, Tier 1 capital and total assets shall be calculated in accordance with Part 325 of the FDIC

Rules and Regulations ("Part 325"), 12 C.F.R. Part 325. In addition, at the same time the capital ratio is calculated, the Bank shall determine its total risk-based capital ratio, as defined in Appendix A of Part 325. If the risk-based capital ratio is less than 10 percent, the Bank shall, within 60 days of the date of the required determination, increase its risk-based capital ratio to not less than 10 percent calculated as of the end of that preceding quarterly period.

(b) Any such increase in Tier 1 capital may be accomplished by the following:

- (i) The sale of common stock and noncumulative perpetual preferred stock constituting Tier 1 capital under Part 325; or
- (ii) The elimination of all or part of the assets classified "Loss" or one-half of "Doubtful" as of June 30, 2002 without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged off pursuant to this ORDER; or
- (iii) The collection in cash of assets previously charged off; or

- (iv) The direct contribution of cash by the directors and/or the shareholders of the Bank;
- (v) Any other means acceptable to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Commissioner of OFIS ("Commissioner"); or
- (vi) Any combination of the above means.

(c) If all or part of the increase in capital required by this paragraph is to be accomplished by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the materials used in the sale of the

securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and to Ronald C. Jones, Jr., Acting Commissioner, Office of Financial and Insurance Services, 611 Ottawa Street, Lansing, Michigan, 48909, for their review. Any changes requested to be made in the materials by the FDIC or OFIS shall be made prior to their dissemination.

(d) In complying with the provisions of this paragraph, during the period between subscription and purchase, the Bank shall provide to any subscriber of Bank securities whose purchase has not yet been consummated a written notice of any development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities that were previously provided to the subscriber. The written notice required by this paragraph shall be furnished to each subscriber entitled to such notice at least five days prior to accepting such subscriber's purchase.

(e) The capital ratio analysis required by this paragraph shall not negate the responsibility of the Bank and its board of directors for maintaining throughout the year an adequate level of capital protection for the kind, quality and degree of market depreciation of assets held by the Bank.

2. As of the effective date of this ORDER, the Bank shall not enter into any material transaction other than in the usual course of business, including any investment, expansion acquisition, sale of assets, or other similar action, without the prior approval of the Regional Director and Commissioner.

3. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and Commissioner.

4. (a) Within 120 days from the effective date of this ORDER, the Bank shall have and retain qualified management. At a minimum, such management shall include: (i) a chief executive officer with proven ability in managing a bank of comparable size, experience in upgrading a low-quality loan portfolio, improving earnings, and other matters requiring particular attention; (ii) a senior lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and (iii) a chief financial officer with appropriate experience in financial reporting, investments, funds management, and liquidity. Such persons shall be provided the necessary authority by resolution of the board of directors to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

- (i) Comply with the requirements of this ORDER;

- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws, rules, and regulations; and
- (iv) Maintain all aspects of the Bank in a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(b) During the life of this ORDER, the Bank shall notify the Regional Director and the Commissioner in writing of any changes in any of the Bank's directors or senior executive officers. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b) and includes any person identified by the FDIC and OFIS, whether or not hired as an employee, with significant influence over, or who participates in, major policymaking decisions of the Bank.

(c) Prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104. Further, the Bank shall request and obtain the Commissioner's written approval, which shall not be unreasonably withheld, prior to the

addition of any individual to the board of directors and the employment of any individual as a senior executive officer.

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Bank, the Regional Director and Commissioner. The consultant shall develop a written analysis and assessment of the Bank's management and staffing needs for the purpose of providing qualified management for the Bank ("Consultant's Report").

(b) The Bank shall provide the Regional Director and Commissioner with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum, should include:

- (i) A description of the work to be performed under the contract or engagement letter;
- (ii) The responsibilities of the consultant;
- (iii) An identification of the professional standards covering the work to be performed;
- (iv) Identification of the specific procedures to be used when carrying out the work to be performed;
- (v) The qualifications of the employee(s) who are to perform the work;
- (vi) The time frame for completion of the work;

- (vii) Any restrictions on the use of the reported findings; and
- (viii) A provision for unrestricted access to work papers by examiners employed by the FDIC and OFIS conducting examinations of the Bank.

(c) The Consultant's Report shall be consistent with the provisions of this ORDER and shall be developed within 60 days from the effective date of this ORDER. The Consultant's Report shall include, at a minimum:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the bank;
- (ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) Evaluation of all Bank officers and staff members to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and maintenance of the Bank in a safe and sound condition; and

- (iv) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified by this paragraph of this ORDER.

The Bank shall require the consultant to deliver the Consultant's Report to the Bank's board of directors, which shall review the Consultant's Report. Any comments or revisions to the Consultant's Report which the board deem advisable shall be reduced to writing. Within 90 days of the effective date of this ORDER, the Bank shall submit to the Regional Director and Commissioner a copy of the Consultant's Report, as originally submitted to the board, together with the board's written proposals for management based on the Consultant's Report (the Consultant's Report and board written proposals together constituting the "Management Plan"). Within 30 days from the receipt of any comments from the Regional Director and Commissioner, and after consideration of such comments, the Bank shall adopt the Management Plan, which approval shall be recorded in the minutes of the board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan and/or any subsequent modification.

6. As of the effective date of this ORDER, the Bank shall not allow Ronald G. Ford to make, renew, negotiate terms and conditions, or release, substitute or accept collateral for any loan, overdraft or other extension of credit of the Bank or participate as a member of the Bank's loan committee.

Notwithstanding the above, nothing in this ORDER prohibits the Bank from allowing Ronald G. Ford to vote for loans in his capacity as a director.

7. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extension of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" so long as such credit remains uncollected, unless the prior written consent of the Regional Director and Commissioner has been obtained by the Bank. Any request for such consent shall be submitted in writing, together with a detailed written statement which has been adopted by the Bank's board of directors giving the reasons why such extension of credit is in the best interests of the Bank and any other relevant supporting materials by the Bank to the Regional Director and Commissioner.

(b) As of the effective date of this ORDER, the Bank

shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard," "Doubtful," or is listed for Special Mention and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be placed in the appropriate loan file and shall be incorporated in the minutes of the applicable board of directors' meeting.

8. As of the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" and 50 percent of all assets classified "Doubtful" as of June 30, 2002 that have not been previously collected or charged off. Any such charged-off asset shall not be rebooked without the prior written consent of the Regional Director and Commissioner. Elimination or reduction of these assets with the proceeds of other Bank extensions of credit is not considered collection for the purpose of this paragraph.

9. (a) Within 90 days from the effective date of this ORDER, and within 90 days of receipt of all FDIC and OFIS reports of examination of the Bank while this ORDER is in effect, the Bank shall formulate and submit to the Regional

Director and Commissioner for review and comment a written plan to reduce the Bank's risk position in each asset in excess of \$500,000 which is classified "Substandard" or "Doubtful" in the Joint Report of Examination as of June 30, 2002 ("Joint Report") and in all subsequent reports of examination of the FDIC or OFIS while this ORDER is in effect. In developing such plan, the Bank shall, at a minimum:

- (i) Review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and
 - (ii) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.
- (b) Such plan shall include, but not be limited to:
- (i) Dollar levels to which the Bank shall reduce each asset within 6 and 12 months from the effective date of this ORDER; and
 - (ii) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.
- (c) As used in this paragraph, "reduce" means to: (1)

collect; (2) charge off; or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and OFIS.

(d) Within 30 days from the receipt of any comment from the Regional Director and Commissioner, and after consideration of such comments, the Bank shall approve the written plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow this written plan.

10. Within 90 days from the effective date of this ORDER, the Bank shall take all steps necessary to correct all deficiencies in the loans listed for "Special Mention" in the Joint Report.

11. Within 90 days from the effective date of this ORDER, the Bank shall take all steps necessary to correct the technical exceptions listed in the Joint Report.

12. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment a written plan to reduce each of the loan concentrations of credit identified in the Joint Report to not more than 100 percent of the Bank's total Tier 1 capital. Such plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

- (i) Dollar levels to which the Bank shall reduce each loan concentration identified in the Joint Report within 12 and 24 months from the effective date of this ORDER; and
- (ii) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(b) As used in this paragraph, "reduce" means to sell loans (either in whole or through participation interests without recourse), to collect, or to charge off, if appropriate.

(c) Within 30 days from receipt of any comments to the plan from the Regional Director and Commissioner, the Bank shall adopt the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

13. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment a written plan for the reduction and collection of delinquent loans. The plan shall include, but not be limited to, provisions which:

- (i) except to the extent permitted by the Bank's loan policy as amended to conform to the

requirements of subparagraph 15(b)(iii) of this ORDER, prohibit the extension of credit for the payment of interest;

- (ii) establish acceptable guidelines for the collection of delinquent credits;
- (iii) establish dollar levels to which the Bank shall reduce delinquencies within 6 and 12 months from the effective date of this ORDER; and
- (iv) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(b) Within 30 days from receipt of any comments from the Regional Director and Commissioner, and after consideration of those comments, the Bank shall adopted the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

14. (a) Within 90 days from the effective date of this ORDER, and within 90 days of receipt of all FDIC and OFIS report of examination of the Bank while this ORDER is in effect, the Bank shall formulate and submit to the Regional Director and

Commissioner for review and comment a written plan to eliminate the amount of loans or other extensions of credit advanced, directly or indirectly, which were adversely classified in the Joint Report or subsequent reports, to or for the benefit of Bank directors, executive officers, principal shareholders, or their related interests. These terms shall be defined pursuant to section 215.2 of Regulation O, 12 C.F.R. § 215.2. No new loans or other extensions of credit shall be granted to or for the benefit of such obligors without first providing the Regional Director and Commissioner 15 days prior written notification of the anticipated action. Such plan shall include, but not be limited to:

- (i) Dollar levels to which the Bank shall reduce each extension of credit within 6 months from the effective date of this ORDER; and
- (ii) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(b) As used in this paragraph, "reduce" means to: (1) collect, (2) charge off, or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and OFIS.

(c) Within 30 days from receipt of any comments from the Regional Director and Commissioner on the written plan, and after the adoption of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

15. (a) As of the effective date of this ORDER, the Bank's loan committee shall meet at least monthly, and shall include at least 3 directors who are "independent." For purposes of this ORDER, a person who is an independent director shall be any individual: (i) who is not an officer of the Bank, any subsidiary of the Bank or any of its affiliated organizations; (ii) who does not own more than 5 percent of the outstanding shares of the Bank; (iii) who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than 5 percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director or shareholder; and (iv) who is not indebted to the Bank (directly or indirectly by blood, marriage or common financial interest, including the indebtedness of any entity in which the individual has a substantial financial interest) in an amount exceeding five percent of the sum of the Bank's total Tier 1 capital plus the Bank's allowance for loan and lease losses; or (v) who is deemed

to be an independent director for purposes of this ORDER by the Regional Director and Commissioner.

(b) The loan committee shall, at a minimum, perform the following functions:

- (i) Evaluate, grant and/or approve loans presented to it in accordance with the Bank's loan policy as amended to comply with this ORDER. The loan committee shall provide a thorough written explanation of any deviations from the loan policy, which explanation shall address how said exceptions are in the Bank's best interest. The written explanation shall be included in the minutes of the corresponding committee meeting.
- (ii) Review and monitor the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" in the Joint Report, or that are included on the Bank's internal watch list.
- (iii) Review and give prior written approval for all advances, renewals, or extensions of credit to any borrower or the borrower's

related interests when the aggregate volume of credit extended to the borrower and the borrower's related interests exceeds \$500,000. For purposes of this ORDER, the term "related interest" is defined pursuant to section 215.2(n) of Regulation O, 12 C.F.R. § 215.2(n).

- (iv) Review all applications for new loans and renewals of existing loans to Bank directors, executive officers, and their related interests, and prepare a written opinion as to whether the credit is in conformance with the Bank's loan policy and all applicable laws, rules, and regulations. Such applications, renewals, and written opinions shall be referred to the Bank's board of directors for consideration.
- (v) Maintain written minutes of the committee meetings, including a record of the review and status of the aforementioned loans. Such minutes shall be made available at the next Bank board of directors' meeting.

16. (a) Within 60 days from the effective date of this

ORDER, and annually thereafter while this ORDER is in effect, the board of directors of the Bank shall review the Bank's loan policy and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policy necessary to strengthen lending procedures and abate additional loan deterioration. The revised written loan policy shall be submitted to the Regional Director and Commissioner for review and comment upon its completion.

(b) The initial revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

- (i) Establishing review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that the directorate is receiving timely and fully documented reports on loan activity, including any deviations from established policy;
- (ii) Requiring loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" in the Joint Report;

- (iii) Prohibiting the capitalization of interest or loan-related expenses unless the board of directors provides, in writing, a detailed explanation of why said deviation is in the best interest of the Bank;
- (iv) Requiring that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O;
- (v) Requiring the establishment and maintenance of a loan grading system and internal loan watch list which address the concerns identified in the Joint Report;
- (vi) Requiring prior written approval by the Bank's loan committee for any extension of credit, renewal, or disbursement in an amount which, when aggregated with all other extensions of credit to that person and related interests of that person, exceeds \$500,000. For the purpose of this paragraph "related interest" is defined as

in section 215.2(n) of Regulation O, 12
C.F.R. § 215.2(n);

(vii) Requiring a nonaccrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;

(viii) Prohibiting the extension of a maturity date, advancement of additional credit or renewal of a loan to a borrower whose obligations to the Bank were classified "Substandard," "Doubtful," or "Loss," whether in whole or in part, as of June 30, 2002, or by the FDIC or OFIS in a subsequent Report of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are adequately supported by current and complete financial information, and the renewal or extension has first been approved in writing by a majority of the Bank's board of directors; and

(ix) Establishing officer lending limits and limitations on the aggregate level of

credit to any one borrower which can be granted without the prior approval of the Bank's loan committee.

(c) Within 30 days from the receipt of any comments to the amended written loan policy from the Regional Director and Commissioner, and after consideration of such comments, the Bank shall adopt the amended written loan policy, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the amended written loan policy.

17. Within 90 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank's investment policy for adequacy and shall make the necessary revisions to address the actual and contemplated condition of the investment portfolio and any trading account. The revised policy shall, at a minimum, address the exceptions noted in the Joint Report and shall be consistent with the Federal Financial Institutions Examination Council's Instructions for Consolidated Reports of Condition and Income, generally accepted accounting principles, and the Bank's loan, liquidity and asset/liability management policies. A copy of the revised policy shall be submitted to the Regional Director and Commissioner upon its adoption.

18. (a) Within 90 days from the effective date of this

ORDER, the Bank shall develop and submit to the Regional Director and Commissioner for review and comment a written plan addressing liquidity, the Bank's relationship of volatile liabilities to temporary investments, rate sensitivity objectives, and asset/liability management. Annually thereafter during the life of this ORDER, the Bank shall review this plan for adequacy and, based upon such review, shall make appropriate revisions to the plan that are necessary to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. The initial plan shall include, at a minimum, provisions:

- (i) Limiting the Bank's ratio of total loans to total assets to not more than 80 percent;
- (ii) Establishing a desirable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report;
- (iii) Identifying the source and use of borrowed and/or volatile funds;
- (iv) Establishing appropriate lines of credit at correspondent banks, including the Federal Reserve Bank of Minneapolis or Chicago, that would allow the Bank to borrow funds to meet depositor demands if the Bank's

other provisions for liquidity proved to be inadequate;

- (v) Requiring the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to maintain the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;
- (vi) Establishing a minimum liquidity ratio and defining how the ratio is to be calculated;
- (vii) Establishing contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs;
- (viii) Addressing the proper use of borrowings (i.e., seasonal credit needs, match funding mortgage loans, etc.) including specifically allowable funding channels identified (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings), assuring that the maturities of such borrowings are

reasonable compared with the use of these funds, and establishing suitable limits involving the concentration of funding sources, pricing, and collateral requirements; and

- (ix) Establishing procedures for managing the Bank's sensitivity to interest rate risk which comply with the Joint Agency Statement of Policy on Interest Rate Risk (June 26, 1996), and the Joint Supervisory Statement on Investment Securities and End-user Derivative Activities (April 23, 1998).

(b) Within 30 days from the receipt of all such comments from the Regional Director and Commissioner, and after revising the plan as necessary, the Bank shall adopt the plan, which adoption shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

19. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate and adopt a realistic, comprehensive strategic plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the

operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address, at a minimum:

- (i) Strategies for maintaining adequate levels of capital;
- (ii) Plans for sustaining adequate liquidity, including back up lines of credit to meet any unanticipated deposit withdrawals;
- (iii) Goals for reducing the problem loans;
- (iv) Plans for attracting and retaining qualified individuals to fill vacancies in the lending and accounting functions;
- (v) Strategies for pricing policies and asset/liability management; and
- (vi) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(c) The Bank will submit the strategic plan to the Regional Director and Commissioner for review and comment. After consideration of all such comments, the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the strategic plan.

(d) Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(e) The strategic plan required by this ORDER shall be revised and submitted to the Regional Director and Commissioner for review and comment within 30 days of the end of each calendar year for which this ORDER is in effect. Within 30 days of receipt of all such comments from the Regional Director and Commissioner, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement the revised plan.

20. (a) Within 90 days from the effective date of this ORDER, the Bank shall take all steps necessary to eliminate and/or correct all violations of law, rule, and regulation listed in the Joint Report.

(b) Within 90 days from the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

21. (a) As of the effective date of this ORDER, the board of directors of the Bank shall pass a resolution indicating that the members of the board are aware that the Bank is subject to the restrictions set out in section 18(k) of the Act, 12 U.S.C. 1828(k), and Part 359 of the FDIC Rules and Regulations, 12 C.F.R. Part 359. The Bank shall not authorize any golden parachute payment without the prior written consent of the Regional Director and Commissioner. As used in this ORDER, "golden parachute payment" shall be defined as in section 359.1(f) of the FDIC Rules and Regulations, 12 C.F.R. 359.1(f).

(b) Within 90 days from the effective date of this ORDER, the board of directors of the Bank shall review all contracts and agreement for the provision of goods or services currently in effect between the Bank and any of its current or former directors, officers, or employees and their related interests ("Agreements"). Such reviews shall be reported in the minutes of the meetings of the Bank's board of directors, copies of which minutes shall be submitted to the Regional Director and Commissioner. These reviews shall include, at a minimum:

- (i) A statement of the board's understanding of material provisions of these Agreements;
- (ii) To the extent known, the criteria that were used at the time the Agreements were entered

into to determine that the Agreements were in the best interest of the Bank;

- (iii) The Bank's proposal for continuation or termination of such Agreements at the completion of their terms.

(c) Within 30 days from the effective date of this ORDER, the Bank shall seek restitution from Ronald G. Ford for all payments made by the Bank to him after April 12, 2002, under the Chairman Agreement entered into as of April 12, 2002.

22. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment a written policy covering expense reimbursements to its directors, officers, and employees. At a minimum, the policy shall include:

- (i) Provisions which specify reasonable limitations for all categories of expenses related to customer entertainment and business development;
- (ii) Provisions which require complete documentation of all expenses related to customer entertainment and business development prior to Bank reimbursement. At a minimum, the Bank shall require the

submission of original receipt(s),
identification of the person(s) entertained,
and the business purpose of the expense;
and

(iii) Provisions which prohibit the reimbursement
of personal expenses of the Bank's
directors, officers, and employees.

(b) While this ORDER is in effect, the Bank's board of
directors shall conduct monthly reviews of all expenses for
customer entertainment, business development, and/or any other
expense submitted by the Bank's officers and directors, with the
results of the reviews stated in the minutes of the meetings of
the board of directors at which such reviews are performed. On
a monthly basis, the Bank shall seek reimbursement for any
expenses paid which are not in conformance with the policy
established pursuant to this paragraph.

(c) Within 30 days from the receipt of any recommended
changes to the written policy from the Regional Director and
Commissioner, and after adopting those changes, the Bank shall
adopt the written policy, which approval shall be recorded in
the minutes of a board of directors' meeting. Thereafter, the
Bank shall implement and follow the written policy.

23. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar year 2003. The plan required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

- (i) Strategies for improving the bank's net interest margin; and
- (ii) Strategies for maintaining reasonable levels of overhead expenses.

(c) Within 30 days from the end of each calendar quarter following completion of the profit plan and budget required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be submitted to the Regional Director and Commissioner for review and comment within 30 days of the end of each calendar year. Within 30 days of receipt of any comments, and after consideration of such comments, the Bank shall adopt the written profit plan and budget, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the written profit plan and budget.

24. Within 90 days from the effective date of this ORDER, the Bank shall adopt, implement, and follow a written plan to reduce the amount of other real estate owned as identified in the Joint Report. A copy of the written plan shall be submitted to the Regional Director and Commissioner upon its completion. Such plan shall include, but not be limited to:

(a) Dollar levels to which the Bank shall reduce each extension of credit within six and twelve months from the effective date of this ORDER; and

(b) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

25. Following the effective date of this ORDER, the Bank is hereby authorized and directed to send to its shareholders and to the shareholders of North Country Financial Corporation

("Bank Holding Company") a copy or a description of this ORDER in conjunction with the Bank's and the Bank Holding Company's next written shareholder communications. This may be in conjunction with the Bank's and the Bank Holding Company's next distribution of notices, proxy statements, or annual reports to shareholders preceding their next shareholder meetings. The description may consist of a summary of the material provisions of this ORDER sufficient to comply with applicable Federal securities laws. The description and any accompanying communication, notice or statement shall be sent to the FDIC Accounting & Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and to OFIS, 611 Ottawa Street, Lansing, Michigan 48909, for review as soon as feasible prior to dissemination to shareholders, or in the alternative, only the description and portions of the accompanying communication, notice, or statement relating to the description may be sent to the FDIC Accounting & Securities Disclosure Section and to OFIS, if the remainder of the documents are not completed in time to distribute in advance to the FDIC Accounting & Securities Disclosure Section and to the OFIS. Any changes requested to be made by the FDIC and OFIS shall be made prior to dissemination of the description, communication, notice or statement. Form 10-K and Form 10-Q filings by the Bank Holding Company with the

Securities and Exchange Commission describing this ORDER may be submitted for review under this paragraph.

26. (a) Within 60 days from the effective date of this ORDER, the Bank's board of directors shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER.

(b) Following the required date of compliance with subparagraph (a) of this paragraph, the Bank's board of directors shall review the Bank's compliance with this ORDER and record its review in the minutes of each regularly scheduled board of directors' meeting.

27. On the last day of the third month following the effective date of this ORDER, and on the last day of every third month thereafter, the Bank shall furnish to the Regional Director and Commissioner written progress reports, signed by each member of the Bank's board of directors, detailing the form and manner of any actions taken to secure compliance with this ORDER. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and Commissioner have, in writing, released the Bank from making further reports.

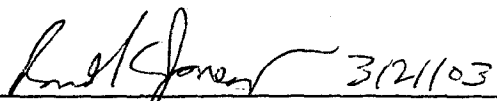
The effective date of this ORDER shall be 10 calendar days after its issuance by the FDIC and OFIS.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and OFIS.

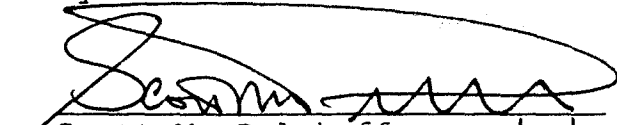
Dated: March 26, 2003.

By:


Ronald C. Jones, Jr.
Acting Commissioner
Office of Financial and Insurance Services
State of Michigan

Pursuant to delegated authority.

By:


Scott M. Polakoff 3/26/2003
Regional Director
Chicago Regional Office
Federal Deposit Insurance Corporation

**CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS**

I, (print name) John F. Stevens ("Plaintiff") declare, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the Complaint and authorizes its filing.
2. Plaintiff did not purchase the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action.
3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.
4. Plaintiff's transaction(s) in the North Country Financial Corp. (Nasdaq: NCFC) security that is the subject of this action during the Class Period is/are as follows¹:

<u>No. of Shares</u>	<u>Buy/Sell</u>	<u>Date</u>	<u>Price Per Share</u>
2,000	Buy	11/28/2001	\$8.25

¹List additional transactions on a separate sheet of paper, if necessary.

5. Plaintiff has complete investment authority and is the agent and attorney-in-fact with full power and authority to bring a suit to recover for investment losses.
6. During the three years prior to the date of this Certification, Plaintiff has sought to serve or served as a representative party or a class in the following actions filed under the federal securities laws (if none, so indicate): None.
7. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 10 day of August, 2003.

Signature John F. Stevens
Print Name John F. Stevens