

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

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In the Matter of)	
)	
)	SUPERVISORY
MILE HIGH BANKS)	PROMPT CORRECTIVE
LONGMONT, COLORADO)	ACTION DIRECTIVE
)	
)	FDIC-11-584 PCAS
(Insured State Nonmember Bank))	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) has determined that Mile High Banks, Longmont, Colorado (“Bank”), is a Significantly Undercapitalized insured depository institution, as that term is defined in Section 38(b)(1)(D) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1831o(b)(1)(D), and Section 325.103(b)(4) of the FDIC Rules and Regulations, 12 C.F.R. § 325.103(b)(4), based upon the September 30, 2011 Consolidated Reports of Condition and Income (“Call Report”) which shows the Bank’s capital levels to be as follows: Tier 1 Leverage Ratio 2.67%; Tier 1 Risk-Based Capital Ratio 3.61%; and Total Risk-Based Capital Ratio 4.89%. The terms “Leverage Ratio”, “Tier 1 Risk-Based Capital Ratio”, and “Total Risk-Based Capital Ratio” shall have the same meanings as set forth in Sections 325.2(m),(w), and (y) of the FDIC Rules and Regulations, 12 C.F.R. §§ 325.2(m) ,(w), and (y).

Pursuant to a letter dated August 5, 2011, the Bank was notified of its Undercapitalized capital category and was required to submit an acceptable capital restoration plan by September 12, 2011.

On August 15, 2010, the FDIC received a capital restoration plan which the FDIC determined was unacceptable pursuant to Section 38(e)(2) of the Act, 12 U.S.C. § 1831o(e)(2), and Section 325.104(d) of the FDIC Rules and Regulations, 12 C.F.R. § 325.104(d). On October 25, 2011, the FDIC issued a NOTICE OF INTENT TO ISSUE A SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE (“NOTICE”) .

The Bank filed a response to the NOTICE on November 16, 2011; however, the response failed to support the Bank’s position that the proposed DIRECTIVE is not an appropriate exercise of discretion under Section 38 of the Act, 12 U.S.C. § 1831o.

Based on the Bank’s September 30, 2011 Call Report, the Bank’s capital condition continues to rapidly deteriorate. Pursuant to a letter dated November 17, 2011, the Bank was notified of its Significantly Undercapitalized capital category. Further, Bank management has not demonstrated the ability to return the Bank to a safe and sound condition.

The Bank’s rapidly deteriorating capital condition, the Bank’s unacceptable capital restoration plan, and the inability of Bank management to return the Bank to a safe and sound condition require that the FDIC immediately take prompt corrective action concerning the Bank.

Therefore, the FDIC finds it necessary, in order to carry out the purposes of Section 38 of the Act, to issue this SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE (“DIRECTIVE”) detailing the actions required to be taken by the Bank and/or the proscriptions which will be imposed on the Bank pursuant to Section 38 of the Act, 12 U.S.C. § 1831o and Sections 308.201(a) and 308.201(a)(2) of the FDIC’s Rules of Practice and Procedure, 12 C.F.R. §§ 308.201(a) and 308.201(a)(2). The FDIC issues this DIRECTIVE pursuant to the provisions of Section 38 of the Act, 12 U.S.C. § 1831o, and Section 308.201(a)(2) of the FDIC’s Rules of Practice and Procedure, 12 C.F.R. § 308.201(a)(2).

The Bank having failed to file an acceptable response explaining why the proposed DIRECTIVE is not an appropriate exercise of discretion under Section 38 of the Act, 12 U.S.C. § 1831o, and pursuant to the provisions of Section 308.201(c) of the FDIC's Rules of Practice and Procedure and Regulations, 12 C.F.R. § 308.201(c), the FDIC hereby issues this DIRECTIVE pursuant to the provisions of Section 38 of the Act, 12 U.S.C. § 1831o, and Section 308.201(e) of FDIC's Rules of Practice and Procedure and Regulations, 12 C.F.R. § 308.201(e).

SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE

1. IT IS DIRECTED, that within 30 days of the effective date of this Directive, the Bank shall increase the volume of capital to a level sufficient to restore the Bank to an Adequately Capitalized capital category as defined in Section 38(b)(2) of the Act, 12 U.S.C. 1831o(b)(2), and Section 325.103(b)(2) of the FDIC Rules and Regulations, 12 C.F.R. § 325.103(b)(2).

2. IT IS FURTHER DIRECTED,

(a) Any increase in Tier 1 Capital necessary to meet the requirements of this DIRECTIVE may be accomplished by the following:

- (i) the sale of common stock; or
- (ii) the sale of noncumulative perpetual preferred stock; or
- (iii) the direct contribution of cash by the board of directors and/or shareholders of the Bank; or
- (iv) any other means acceptable to the Regional Director.

(b) Any increase in Tier 1 Capital necessary to meet the requirements of this DIRECTIVE may not be accomplished through a deduction from the Bank's allowance for loan and lease losses.

(c) If all or part of the increase in Tier 1 Capital required under this DIRECTIVE involves an offering, other than an offering deemed not to be a public securities offering, pursuant to 17 C.F.R. § 230.506, or as hereafter amended, of the Bank's 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 of this DIRECTIVE, as well as the circumstances giving rise to the offering and any other material disclosures necessary to comply with the Federal securities laws. Prior to the sale of the securities and in any event, not less than 20 days prior to the dissemination of materials used in the sale of the securities, the materials shall be submitted to the FDIC Accounting and Securities Disclosure Section, Room 6066, 550 17th Street, N.W., Washington, D.C. 20429, for review. Any changes requested in the materials by the FDIC shall be made prior to their dissemination. In addition, any terms and conditions of the issue of new securities shall be submitted to the Regional Director for prior approval.

(d) In complying with the provisions of this DIRECTIVE, the Bank shall provide to any subscriber and/or purchaser of Bank stock written notice of any planned or existing development or other change which is materially different from what was disclosed in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 days from the date such material development or change was planned or

occurred, whichever is earlier, to every purchaser and/or subscriber of Bank stock who received or was tendered the information contained in the Bank's original offering materials.

3. IT IS FURTHER DIRECTED that, in the event the Bank does not increase its Tier 1 Capital in accordance with the requirements of Paragraph 1 of this DIRECTIVE, pursuant to Section 38(e)(2) of the Act, 12 U.S.C. § 1831o(e)(2), the Bank shall immediately take any necessary action to result in the Bank's:

- (a) acquisition by another insured depository institution holding company; or
- (b) merger with another insured depository institution.

4. IT IS FURTHER DIRECTED that the Bank shall comply with all prompt corrective action provisions mandated by Section 38 of the Act, 12 U.S.C. § 1831o, including but not limited to the following:

(a) Restriction on capital distributions pursuant to Section 38(d)(1) of the Act, 12 U.S.C. § 1831o(d)(1), as "capital distribution" is defined in Section 38(b)(2)(B) of the Act, 12 U.S.C. § 1831o(b)(2)(B);

(b) Restriction on payment of management fees pursuant to Section 38(d)(2) of the Act, 12 U.S.C. § 1831o(d)(2), as "management fee" is defined in Section 325.2(n) of the FDIC's Rules and Regulations, 12 C.F.R. § 325.2(n);

(c) Restriction on asset growth pursuant to Section 38(e)(3) of the Act, 12 U.S.C. § 1831o(e)(3); and

(d) Requisite prior approval by the FDIC, pursuant to Section 38(e)(4) of the Act, 12 U.S.C. § 1831o(e)(4), before the Bank directly or indirectly:

- (i) acquires any interest in any company or insured depository institution;

- (ii) establishes or acquires any additional branch office; or
- (iii) engages in any new line of business.

(e) Subject to FDIC approval, employ qualified senior executive officers pursuant to Section 38(f)(2)(F) of the Act, 12 U.S.C. 1831o(f)(2)(F);

(f) Restriction on paying all Board of Directors and Committee Fees pursuant to Section 38(e)(5) of the Act, 12 U.S.C. § 1831o(e)(5), and Section 38(f)(2)(j) of the Act, 12 U.S.C. § 1831o(f)(2)(j);

(g) Requisite prior written approval by the FDIC before compensation is paid to senior executive officers pursuant to Section 38(f)(4) of the Act, 12 U.S.C. § 1831o(f)(4); and

(h) Requisite prior written approval by the FDIC before paying of excessive compensation or bonuses pursuant to Section 38(i)(2)(F) of the Act, 12 U.S.C. § 1831o(i)(2)(F).

5. IT IS FURTHER DIRECTED that during the period this DIRECTIVE is in effect, the Bank shall strictly comply with Section 23A of the Federal Reserve Act as if the exemption in subsection (d)(1) of that section (exempting transactions with certain affiliated institutions) did not apply, pursuant to Section 38(f)(2)(B) of the Act, 12 U.S.C. 1831o(f)(2)(B).

6. IT IS FURTHER DIRECTED,

(a) During the period this DIRECTIVE is in effect, the Bank shall not accept, renew or roll over any brokered deposits as defined in Section 337.6(a)(2) of the FDIC Rules and Regulations, 12 C.F.R. § 337.6(a)(2), pursuant to the provisions of Section 337.6(b)(3), 12 C.F.R. § 337.6(b)(3).

(b) During the period this DIRECTIVE is in effect, the Bank shall restrict the interest rates the Bank pays on deposits to comply with the interest rate restrictions in Section 337.6(b)(3)(ii) and (4) of the FDIC Rules and Regulations, 12 C.F.R. § 337.6(b)(3)(ii) and (4).

7. IT IS FURTHER DIRECTED that the provisions of this DIRECTIVE shall remain effective and enforceable until the Bank has been adequately capitalized on average for four consecutive calendar quarters, except to the extent that any provision has been modified, terminated, suspended or set aside by the FDIC.

8. IT IS FURTHER DIRECTED that by the 15th day of the month following the issuance of this DIRECTIVE and by the 15th day of every month thereafter, the Bank shall provide written reports to the Regional Director specifically detailing the extent of the Bank's compliance with this DIRECTIVE and further specifically detailing the required corrective actions being taken by the Bank to secure full compliance with this DIRECTIVE.

9. IT IS FURTHER DIRECTED, after the effective date of this DIRECTIVE, the Bank shall send to its shareholders a description of this DIRECTIVE

- (a) in conjunction with the Bank's next shareholder communication, and also
- (b) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

The description shall fully describe this DIRECTIVE in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Disclosure Section, Room 6066, 550 17th Street, N.W., Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice or statement.

10. IT IS FURTHER DIRECTED that the provisions of this DIRECTIVE shall be binding upon the Bank, its directors, officers, employees, agents, its institution-affiliated parties, successors and assigns.

11. IT IS FURTHER DIRECTED that this DIRECTIVE shall become effective immediately upon issuance by the FDIC.

Pursuant to delegated authority.

Dated this 1st day of December 2011.

/s/

Kristie K. Elmquist
Regional Director
Dallas Region
Division of Risk Management Supervision
Federal Deposit Insurance Corporation