

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: High Desert Bank
Bend, Deschutes County, Oregon
Application for Federal Deposit Insurance

The undersigned, acting on behalf of the Board of Directors pursuant to delegated authority, has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act relating to the application for Federal Deposit Insurance for High Desert Bank, a proposed new bank to be located at 1000 SW Disk Drive, Bend, Deschutes County, Oregon, and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED, that the application submitted by High Desert Bank for Federal Deposit Insurance be and the same hereby is approved subject to the following conditions:

- (1) That beginning paid-in capital funds of not less than \$8,000,000 be provided;
- (2) That a Tier 1 capital to total assets ratio of not less than 8% be maintained for the first three years after deposit insurance is effective;
- (3) That any changes in proposed management or proposed ownership (10% or more of stock) of the bank, including new acquisitions of or subscriptions to 10% or more of the bank's stock, will render this commitment null and void unless such proposal is approved by the FDIC prior to opening of the bank;
- (4) That any changes in proposed management or proposed ownership (10% or more of stock) of the holding company, including new acquisitions of or subscriptions to 10% or more of the holding company's stock, will render this commitment null and void unless such proposal is approved by the FDIC prior to opening of the bank;
- (5) That an accrual accounting system be adopted for maintaining the bank's books;
- (6) That adequate blanket bond coverage be obtained;
- (7) That Federal deposit insurance shall not become effective unless and until the applicant has been established as a federal savings bank, that it has authority to conduct a banking business, and that its establishment and operation as a bank have been fully approved by the Office of Thrift Supervision;
- (8) That full disclosure has been made to all proposed directors and stockholders of the facts concerning the interest of any insider (one who is, or stands to be, a director, an officer, or an incorporator of an applicant or shareholder who directly or indirectly controls 10% or more of any class of the applicant's outstanding voting stock, or the associates and interests of any such person) in any transaction

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: High Desert Bank (Proposed)
Bend, Deschutes County, Oregon
Application for Federal Deposit Insurance

STATEMENT

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (12 U.S.C. §1815), an application for Federal deposit insurance has been filed for High Desert Bank (the Bank), a proposed new federal savings bank, to be located at 1000 SW Disk Drive, Bend, Deschutes County, Oregon.

The Bank will be a majority-owned subsidiary of Capitol Bancorp Limited, Lansing, Michigan, a publicly traded company. Capitol Bancorp is a multi-bank holding company and operates 52 banks in 13 states. Capitol Bancorp had 2006 revenues of over \$280 million.

The Bank will provide conventional banking services to Deschutes County with an emphasis on commercial and commercial real estate lending. Loan products will be tailored to the needs of small- to medium-sized businesses. Deposit products will consist of a traditional mix of savings, checking, money market, certificates of deposit and retirement accounts.

For the purposes of this proposal, capital is adequate, projections for future earnings prospects are favorable, management is considered satisfactory, and the investment in fixed assets is reasonable. Corporate powers to be exercised are consistent with the purpose of the Federal Deposit Insurance Act. No formal objections to this proposal have been filed and no undue risk to the insurance fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, the Regional Director, acting under delegated authority, has concluded that approval of the application is warranted, subject to the conditions enumerated in the Order.

**REGIONAL DIRECTOR, CHICAGO
DIVISION OF SUPERVISION AND CONSUMER PROTECTION
FEDERAL DEPOSIT INSURANCE CORPORATION**