FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF MICHIGAN

OFFICE OF FINANCIAL AND INSURANCE REGULATION

In the Matter of MUSKEGON COMMERCE BANK MUSKEGON, MICHIGAN (Insured State Nonmember Bank)	ORDER TO CEASE AND DESIST FDIC-08-274b

Muskegon Commerce Bank, Muskegon, Michigan, ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices 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, regarding hearings before the Office of Financial and Insurance Regulation for the State of Michigan ("OFIR"), 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 OFIR, dated February 26, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and OFIR.

The FDIC and OFIR considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and OFIR, 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:

A. Engaging in hazardous lending and lax collection practices.

B. Operating with an inadequate level of capital protection for the kind and quality of assets held.

C. Operating with an excessive level of adversely classified assets, delinquent loans, and nonaccrual loans.

D. Operating with inadequate liquidity in light of the Bank's asset and liability mix.

E. Operating in such a manner as to generate inadequate earnings.

F. Operating with an inadequate allowance for loan and lease losses for the volume, kind, and quality of loans and leases held.

G. Operating with an inadequate strategic plan, profit plan, and budget.

H. Operating with excessive interest rate risk;

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

J. Operating with a board of directors which has failed 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:

CAPITAL

1. (a) From the effective date of this ORDER, the Bank shall increase and maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of 8.0% and its total risk-based capital ratio at a

minimum of 10.0%. For purposes of this ORDER, Tier 1 capital, total risk-based capital, total assets, and total risk-weighted assets, shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(b) Within 120 days of the effective date of this ORDER, the Bank shall increase and maintain its capital ratio to a minimum of 9.0% and its total risk-based capital ratio at a minimum of 12.5%.

(c) 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" as of July 7, 2008, 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 sale or collection in cash of assets previously charged off; or

(iv) The direct contribution of cash by the directors and/or Capitol Bancorp Limited ("Holding Company"), of the Bank; or

(v) Any other means acceptable to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Chief Deputy Commissioner of OFIR ("Chief Deputy Commissioner"); or

(vi) Any combination of the above means.

(d) 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 Ken Ross, Commissioner, Office of Financial and Insurance Regulation, 611 West Ottawa Street, Lansing, Michigan, 48933, for their review. Any changes requested to be made in the materials by the FDIC or OFIR shall be made prior to their dissemination.

(e) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing 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. The written notice required by this paragraph shall be furnished within 10 calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank’s original offering materials.

(f) 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.

DIVIDEND RESTRICTION

2. 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 Chief Deputy Commissioner.

STRATEGIC PLAN

3. (a) Within 120 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 pricing policies and asset/liability management;

(ii) 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 Chief Deputy Commissioner for review and comment. After consideration all such comments, the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting.

PROFIT PLAN AND BUDGET

4. (a) Within 120 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written profit plan, and a realistic, comprehensive budget for all categories of income and expense for calendar years 2009 and 2010, which plans and budgets shall be acceptable to the Regional Director and the Chief Deputy Commissioner. The plans required by this paragraph shall contain formal goals and strategies, consistent with the Bank's strategic plan and sound banking practices, to improve the Bank's overall earnings, including 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) Identification of the major areas in, and means by, the board of directors will continue to seek to improve the Bank's operating performance;

(ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and

(iii) A description of the operating assumptions that form the basis for and support major projected income and expense components.

(c) Within 30 days from the end of each calendar quarter following completion of the profit plans and budgets 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) The Bank shall prepare, implement, and adhere to an enhanced written profit plan and budget which are acceptable to the Regional Director and the Chief Deputy

Commissioner for each calendar year for which this ORDER is in effect.

LIQUIDITY

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop a plan to reduce reliance on non-core and volatile funding sources. The board of directors shall ensure that such plan:

(i) Is consistent with the Bank’s strategic plan, profit plan, and budget and shall contain a description of the assumptions that form the basis for major projected changes in the funding structure;

(ii) Establishes target levels and dates to reduce the level of non-core and volatile funding sources that existed on June 30, 2008;

(iii) Establishes limits on concentrations in or excessive reliance upon any single source or type of funding, such as brokered funds, internet deposits, or other similar non-core or volatile funding source.

(iv) Is reviewed at board meetings at least quarterly to determine and evaluate the

Bank's actual performance in relation to the plan. This review, and any actions taken by the Bank, shall be recorded in the minutes of the board of directors.

(b) Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity contingency funding plan. Such plan shall be in a form and manner acceptable to the Regional Director and the Chief Deputy Commissioner as determined at subsequent examinations and/or visitations. The plan shall:

(i) Define responsibilities and decision-making authority so that all personnel understand their role during a problem-funding situation;

(ii) Include an assessment of the possible liquidity events that the Bank might encounter. The types of potential liquidity events considered should range from high-probability/low-impact events that can occur in day-to-day operations, to low-probability/high impact events that can arise through institution-specific, systemic market, or operational circumstances;

(iii) Analyze and make quantitative projections of all significant on- and off-balance sheet fund flows and their related effects;

(iv) Match potential sources and uses of funds;

(v) Establish indicators that alert management to a predetermined level of potential risks;

(vi) Identify and assess the adequacy of contingent funding sources. The plan should identify any back-up facilities (lines of credit), the conditions related to their use and the circumstances where the institution might use them;

(vii) Identify the potential sequence in which sources of funds will be used for contingent needs;

(viii) Address procedures to ensure funds will be available to meet the overnight cash letter; and

(ix) Include an asset tracking system that monitors which assets are immediately available for pledging or sale.

REDUCTION OF CLASSIFIED ASSETS

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written plan which is acceptable to the Regional Director and the Chief Deputy Commissioner to reduce the Bank's risk position in each asset relationship in excess of $100,000 which is classified "Substandard" or "Doubtful" in the Report of Examination as of July 7, 2008 ("Report"), or classified "Substandard" or "Doubtful" internally by management. 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 six and twelve months from the effective date of this ORDER;

(ii) A formal written action plan for collection of each classified commercial loan, outlining the Bank's collection strategy for the loan; and

(iii) 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; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and OFIR.

LOSS CHARGE-OFF AND RECOGNITION

7. (a) 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" in the Report 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 Chief Deputy 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.

(b) Effective immediately, the Bank will ensure that all Loss associated with foreclosed assets is charged off when identified. Controls implemented by the Bank should be in accordance with generally accepted accounting practices and FFIEC Instructions for the Reports of Condition and Income.

SPECIAL MENTION

8. Within 60 days from the effective date of this ORDER, the Bank shall correct all deficiencies in the loans listed for "Special Mention" in the Report.

CALL REPORTS

9. (a) Within 30 days from the effective of this ORDER, the Bank shall amend its June 30, 2008, and September 30, 2008, Reports of Condition and Income to reflect assets classified Loss in the Report and the $2.4 million required provision expense to the ALLL identified in the Report.

(b) Prior to submission or publication of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the Bank shall properly account for FAS 91 deferred loan costs.

ALLOWANCE FOR LOAN AND LEASE LOSSES

10. (a) Within 30 days from the effective date of this ORDER, the Bank shall replenish its allowance for loan and lease losses ("ALLL") in the amount of at least $1.1 million above that required under Paragraph 9 of this ORDER.

(b) Within 30 days from the effective of this ORDER, the Bank shall amend its December 31, 2008, Reports of Condition and Income to reflect the $1.1 million required provision expense to the ALLL identified in subparagraph (a), above.

(c) Prior to submission or publication of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank's allowance for loan and lease losses ("ALLL"), provide for an adequate ALLL, and accurately report the same. The minutes of the board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the board of directors shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or OFIR. ALLL entries required by this paragraph shall be made prior to any Tier 1 capital determinations required by this ORDER.

(d) Effective immediately, the Bank shall comply with the Interagency Policy Statement on the Allowance for Loan and Lease Losses and utilize its historical loss experience, rather than the corporate loss experience as determined by the Holding Company, when determining the adequacy of the ALLL.

LOAN UNDERWRITING AND CREDIT ADMINISTRATION

11. Within 90 days from the effective date of this ORDER, the Bank will implement a system to ensure that loan underwriting and credit administration deficiencies detailed in the Report are corrected. The deficiencies include, but are not limited to, the following areas:

(a) Commercial underwriting;

(b) Construction lending;

(c) Credit grading;

(d) Financial statement monitoring;

(e) Loan review; and

(f) Loan file documentation exceptions.

CONCENTRATION OF CREDIT

12.(a) Within 60 days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to a written plan which is acceptable to the Regional Director and Chief Deputy Commissioner to manage concentrations of credit as identified in the Report in a safe and sound manner. At a minimum, the concentration management program must provide for written procedures for the ongoing measurement and monitoring of the concentrations of credit and for a limit on concentrations in terms of the Bank's capital position that is commensurate with safe and sound banking practices and the overall risk profile of the Bank.

INTEREST RATE RISK

13. (a) Within 60 days of the effective date of this ORDER, the Bank shall strengthen its interest rate risk program. At a minimum, deficiencies detailed in the Report, including weak management knowledge of the Bank's interest rate risk profile and measurement tools, unrealistic model results, questionable model assumptions, shall be strengthened. The interest rate risk program shall require that an independent review be performed of the interest rate risk management process. The program and independent review shall comply with the requirements of the Joint Agency Policy Statement on Interest Rate Risk.

MANAGEMENT

14. (a) Within 120 days from the effective date of this ORDER, the Bank shall retain qualified management. At

a minimum, such management shall include: (i) a full-time chief executive officer with proven ability in managing a bank of comparable size and experience in upgrading a low quality loan portfolio; (ii) a full-time chief credit officer with an appropriate level of collection and loan supervision experience for the type and quality of the Bank's loan portfolio. 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) Restore all aspects of the Bank to 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 Chief Deputy 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.

BOARD COMPOSITION

15. Within 120 days from the effective date of this ORDER, and every 90 days thereafter while this ORDER is in effect, the Bank shall provide a written report to the Regional Director and the Chief Deputy Commissioner describing what actions it has taken to identify and retain as directors at least five individuals who are local community leaders and not officers or employees of Capitol Bancorp, Limited, or any other Bank-affiliated institution or entity. The Bank shall submit Interagency Biographical and Financial Reports for each proposed director to the Regional Director and Chief Deputy Commissioner for review in accordance with Section 32 of the FDI Act. Proposed board members will begin serving in their roles as directors only after receiving letters of non-objection from both the Regional Director and Chief Deputy Commissioner.

SHAREHOLDER COMMUNICATION

16. Within 30 days from the effective date of this ORDER, the Bank shall send to its shareholder a copy or description of this ORDER: (1) in conjunction with the Bank's next shareholder communication; and (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, notice or statement shall be sent to the FDIC Registration and Disclosure Section 550 17th Street, N.W., Washington, D.C. 20429 and to OFIR, 611 Ottawa Street, Lansing, Michigan 48909, for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and OFIR shall be made prior to dissemination of the description, communication, notice or statement.

COMPLIANCE PROGRAM

17. (a) Within 30 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.

PROGRESS REPORTS

18. Within 30 days of the last day of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and Chief Deputy Commissioner written progress reports signed by each member of the Bank’s board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and Chief Deputy 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 OFIR.

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 OFIR.

Pursuant to delegated authority.

Dated: March 12, 2009.

______/s/____________	___________/s/____________
M. Anthony Lowe	Stephen R. Hilker
Regional Director	Chief Deputy Commissioner
Chicago Regional Office	Office of Financial and Insurance Regulation
Federal Deposit Insurance Corporation	State of Michigan