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Capitol Bancorp sells Tucson banks to LA's Grandpoint

Capitol Bancorp Ltd. is selling its two Tucson banks to Grandpoint Capital Inc. of Los Angeles.

The sale of Southern Arizona Community Bank is expected to generate cash proceeds in excess of \$11 million, while the Bank of Tucson sale will include its main office operations, allowing Capitol Bancorp (NYSE:CBC) to retain a Nogales branch office and \$20.1 million in equity.

Bank of Tucson CEO Mike Hannley partnered with Capitol in 1996 to organize its first bank outside of Michigan. He will continue with Grandpoint Capital Inc.

"This sale will provide Capitol with access to new capital that will be used to support our ongoing strategic initiative to enhance balance sheet strength and assist those affiliates currently facing challenges," said Chairman and CEO Joseph Reid.

The deal is pending regulatory approval.

Capitol, which has executive offices in Phoenix and Michigan, reported a net loss of \$168 million in 2009, or \$9.73 per share — much worse than its \$1.67-per-share loss in 2008 — as it fought a heavy portfolio of foreclosed properties and other real estate assets. It has sold numerous banks in the past year to build capital

Net loss for the first six months of this year was \$4.67 per share. Arizona operations also include Central Arizona Bank and Sunrise Bank of Arizona.