

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of	)	
	)	
BLUE RIDGE SAVINGS BANK, INC.	)	MODIFICATION OF ORDER TO
ASHEVILLE, NORTH CAROLINA	)	CEASE AND DESIST
	)	
	)	FDIC-08-293b
(Insured State Nonmember Bank)	)	
_____	)	

On November 12, 2008, the Federal Deposit Insurance Corporation (“FDIC”) issued an ORDER TO CEASE AND DESIST (“ORDER”) to Blue Ridge Savings Bank, Inc., Asheville, North Carolina (“Bank”) that became effective on November 22, 2008, and remains in full force and effect, except as subsequently modified. The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Modification of Order to Cease and Desist (“CONSENT AGREEMENT”) dated January 25, 2010, that is accepted by the FDIC and the North Carolina Commissioner of Banks (“Commissioner”) hereinafter referred to as “Supervisory Authorities.

With this CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices and/or violations of law, to the issuance of this Modification of Order to Cease and Desist (“MODIFICATION”) by the FDIC.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) has been satisfied, the FDIC accepted the CONSENT AGREEMENT and hereby modifies the ORDER as follows:

**Paragraph 8 is hereby stricken, and in its stead is inserted the following:**

**RESTRICTIONS ON CERTAIN PAYMENTS**

8. (a) While this ORDER is in effect, the Bank shall not declare or pay dividends or bonuses without the prior written approval of the Supervisory Authorities. All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date (at least 5 days with respect to any request filed within the first 30 days after the date of this ORDER) and shall contain, but not be limited to, an analysis of the impact such dividend or bonus payment would have on the Bank's capital, income, and/or liquidity positions.

(b) During the term of this ORDER, the Bank shall not make any distributions of interest, principal or other sums on subordinated debentures, if any, without the prior written approval of the Supervisory Authorities.

**Paragraph 11(c) is hereby stricken, and in its stead is inserted the following:**

**REDUCTION OF CLASSIFIED ITEMS**

11. (c) The plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified "Substandard" or "Doubtful" in the report of examination dated August 3, 2009 ("REPORT") in accordance with the following schedule. For purposes of this paragraph, "number of days" means number of days from the effective date of this ORDER.

- (i) Within 90 days, to not more than \$42,450,000
- (ii) Within 180 days, to not more than \$27,300,000
- (iii) Within 360 days, to not more than \$14,150,000

**Paragraph 12 is modified by adding paragraph 12(a)(x) which is incorporated by the MODIFICATION as follows:**

**LENDING PRACTICES**

- (x) to address all loan administration weaknesses detailed on pages 3 and 4 of the REPORT;

**Paragraphs 15(b), 17 and 19 are hereby stricken;**

**The following paragraphs are hereby added and incorporated by the MODIFICATION as follows:**

**REPORTS OF CONDITION AND INCOME**

22. Within 90 days from the receipt of the REPORT, management shall complete information systems enhancements to allow for preparation of accurate Reports of Condition and Income (Call Report). In addition, once necessary information system enhancements are complete, management shall certify to the Board, with supporting documentation, the accuracy of Call Report filings.

**BROKERED DEPOSITS**

23. (a) Throughout the effective life of this MODIFICATION, the Bank shall not accept, renew, or rollover any brokered deposit, as defined by 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b), governing solicitation and acceptance of brokered deposits by insured depository institutions.

(b) The Bank shall comply with the restrictions on the effective yields on deposits described in 12 C.F.R. § 337.6.

## **NO MATERIAL GROWTH WITHOUT PRIOR NOTICE**

24. While this MODIFICATION is in effect, the Bank shall notify the Supervisory Authorities at least 60 days prior to undertaking asset growth to 10 percent (10%) or more per annum or initiating material changes in asset or liability composition. In no event shall asset growth result in noncompliance with the capital maintenance provisions of this MODIFICATION unless the Bank receives prior written approval from the Supervisory Authorities.

## **LOAN REVIEW**

25. (a) Within 30 days from the receipt of the REPORT, the Bank shall arrange for a loan review to be conducted by a qualified party that is independent of the management of the Bank. The Bank shall provide the Supervisory Authorities with a draft contract or engagement letter for review and approval prior to its acceptance. The contract or engagement letter, at a minimum, shall include:

- (i) a description of the work to be performed under the contract or engagement letter;
- (ii) an identification of the professional standards covering the work to be performed;
- (iii) identification of the specific procedures to be used when carrying out the work to be performed;
- (iv) the qualifications of the employee(s) who are to perform the work;
- (v) the time frame for completion of the work;
- (vi) any restrictions on the use of the reported findings;
- (vii) a provision for unrestricted examiner access to the work papers;

(viii) provisions for communication of findings to the Board or Audit Committee; and

(ix) a certification that the firm or individual is not affiliated in any manner with the Bank.

(b) Within 60 days following the completion of the independent loan review, management shall submit to the Board a written report summarizing the results of the loan review, an action plan to be approved by the Board for addressing any weaknesses identified during the loan review, and a list of loans who credit grades have been changed based upon the results of the loan review.

**Paragraph 20 is hereby stricken, and in its stead is inserted the following:**

**DISCLOSURE TO SHAREHOLDERS**

20. Following the issuance of this MODIFICATION, the Bank shall provide to its shareholders or otherwise furnish a description of this MODIFICATION (i) in conjunction with the Bank's next shareholder communication or (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the MODIFICATION in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17<sup>th</sup> Street, N.W., Room F-6066, Washington, D.C. 20429 and the North Carolina Office of the Commissioner of Banks, 316 Edenton Street, Raleigh, North Carolina 27603 to review at least twenty (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.

The provisions of this MODIFICATION shall not bar, estop, or otherwise prevent the FDIC, the Commissioner or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This MODIFICATION shall be effective on the date of issuance.

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

The provisions of this MODIFICATION 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 in writing.

Issued Pursuant to Delegated Authority

Dated this 27th day of January, 2010.

/s/

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Doreen R. Eberley  
Acting Regional Director  
Division of Supervision and Consumer Protection  
Atlanta Region  
Federal Deposit Insurance Corporation

The North Carolina Commissioner of Banks having duly approved the foregoing MODIFICATION, and the Bank, through its Board, agree that the issuance of the said MODIFICATION by the Federal Deposit Insurance Corporation shall be binding as between the Bank and the Commissioner to the same degree and legal effort that such MODIFICATION would be binding on the Bank if the Commissioner had issued a separate MODIFICATION that included and incorporated all of the provisions of the foregoing MODIFICATION pursuant to the provisions of N.C. Stat. § 54C-76(a)(2005).

Dated this 26th day of January, 2010.

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/s/  
Joseph A. Smith, Jr.  
Commissioner of Banks  
State of North Carolina