FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of BLUE RIDGE SAVINGS BANK, INC. ASHEVILLE, NORTH CAROLINA (INSURED STATE SAVINGS BANK)	)	ORDER TO CEASE AND DESIST FDIC-08-293b

BLUE RIDGE SAVINGS BANK, INC., ASHEVILLE, NORTH CAROLINA ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of laws and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1)and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with Counsel for the Federal Deposit Insurance Corporation ("FDIC") and with the North Carolina Commissioner of Banks ("Commissioner") dated November 3RD, 2008, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of laws and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the Commissioner. The Commissioner may issue an order to cease and desist pursuant to N.C. Gen. Stat. § 54C-76(a)(2005).

The FDIC and the Commissioner considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed violations of laws and/or regulations. The FDIC and the Commissioner, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

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 and unsound banking practices and violations of laws and/or regulation:

(a) Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;

(b) Operating with a board of directors ("Board") that has failed to provide adequate supervision over and direction to the management of the Bank;

(c) Operating with inadequate equity capital and reserves in relation to the volume and quality of assets held by the Bank;

(d) Operating with a large volume of poor quality loans;

(e) Operating with an inadequate allowance for loan and lease losses ("ALLL");

(f) Operating with hazardous loan underwriting and administration practices;

(g) Operating in such a manner as to produce low earnings;

(h) Operating without effective Board oversight and executive management supervision to prevent unsafe or unsound banking practices and violations of laws and/or regulations related to the Bank Secrecy Act ("BSA"), subchapter II of Chapter 53 of Title 31 of the United States Code, and its implementing rules issued by the U.S. Department of Treasury, 31 C.F.R. Part 103; the regulations of the Office of Foreign Asset Control ("OFAC"); the FDIC's BSA compliance regulations, 12 C.F.R. § 326.8, and the FDIC's suspicious activity report regulations, 12 C.F.R. Part 353 ("Part 353") (collectively, "BSA Rules");

(i) Operating with an ineffective system of internal controls to ensure ongoing compliance with the BSA Rules;

(j) Operating without effective coordinating and monitoring procedures by a designated individual responsible for ensuring day-to-day compliance with the BSA Rules;

(k) Operating with an ineffective customer identification program ("CIP"). CIP is the collective reference to section 103.121 of the Rules and Regulations of the Department of Treasury, 31 C.F.R. § 103.121;

(l) Operating with inadequate policies and procedures to monitor and control risks within concentrations of credit in the Bank's loan portfolio; and

(m) Operating in apparent violation of laws, regulations, and/or statements of policy as more fully described on pages 13 through 16 of the Joint Report of Examination dated June 9, 2008 ("ROE").

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

BOARD OF DIRECTORS

1. (a) Beginning with the effective date of this ORDER, the Board shall increase

its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies, strategic plans, and budgets for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewed, extended, restructured, insider, non-accrual, charged-off, and recovered loans; investment activity; operating policies; personnel actions; audit and supervisory reports; and the minutes summarizing individual committee meetings and actions. Board minutes shall be detailed, maintained and recorded on a timely basis and shall document reviews and any related actions, including the names of any dissenting directors.

(b) Within 30 days from the effective date of this ORDER, the Board shall establish a Board committee ("Directors' Committee"), consisting of at least three members, responsible for ensuring compliance with the ORDER, overseeing corrective measures with respect to the ORDER, and reporting to the Board. Two of the members of the Directors' Committee shall not be officers of the Bank. Bank management shall provide the Directors' Committee with monthly reports detailing the Bank's actions with respect to compliance with the ORDER. The Directors' Committee shall present a report detailing the Bank's adherence to the ORDER to the Board at each regularly scheduled Board meeting. Such report and any discussion related to the report or the ORDER shall be recorded in the appropriate minutes of the meeting of the Board and shall be retained in the Bank's records. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

(c) Within 60 days of the date of this ORDER, the Board shall develop and adopt an educational program for periodic training for each member of the Board. The education program shall include, at a minimum,

(i) specific training in the areas of lending, operations, and compliance with laws, rules and regulations applicable to banks chartered in the state of North Carolina; and

(ii) specific training in the duties and responsibilities of the Board in connection with the safe and sound operation of the Bank.

The Board shall document the training activities in the minutes of the next Board meeting following completion of the training.

MANAGEMENT

2. (a) Within 30 days from the effective date of this ORDER, the Board shall engage an independent third party to conduct an assessment of the Bank's management and staffing needs. The engagement shall require that the analysis and assessment shall be summarized in a written report ("Management Report") to the Board. Within 30 days of receipt of the Management Report, the Board will conduct a full and complete review of the Management Report, which review shall be recorded in the minutes of the meeting of the Board.

(b) The Bank shall provide the FDIC's Atlanta Regional Director ("Regional Director") and the North Carolina Commissioner of Banks ("Commissioner") (collectively the "Supervisory Authorities") with a copy of the proposed engagement letter or contract with the third party for review before it is executed. 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, the fees for each significant element of the engagement, and the aggregate fee;

(ii) the responsibilities of the firm or individual;

(iii) an identification of the professional standards covering the work to be performed;

(iv) identification of the specific procedures to be used when carrying out the work to be performed;

(v) the qualifications of the employee(s) who are to perform the work;

(vi) the time frame for completion of the work;

(vii) any restrictions on the use of the reported findings;

(viii) a provision for unrestricted examiner access to work papers; and

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

(c) Within 45 days of receipt of the Management Report, the Board will develop a written Management Plan that incorporates the findings of the Management Report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. At a minimum, the Management Plan shall:

(i) identify the type and number of officer positions needed to manage and properly supervise the affairs of the Bank;

(ii) evaluate each Bank officer to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and maintain the Bank in a safe and sound condition;

(iii) identify and establish Bank committees needed to provide guidance and oversight to management;

(iv) establish a plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications necessary to fill Bank officer or staff positions consistent with the Management Plan;

(v) assess the appropriateness of the Bank's compensation structure for loan officers to address the issues identified on pages 3 and 9 of the ROE

(v) identify training and development needs, and incorporate a plan to provide such training and development;

(vi) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member;

(d) The Management Report and Management Plan and any subsequent modification thereto shall be submitted to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after consideration of such comment, the Board shall approve the Management Plan and/or any subsequent modification thereto, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank and its directors, officers and employees shall implement and follow the Management Plan and any modifications thereto. It shall remain the responsibility of the Board to fully implement the plan within the specified time frames. In the event the plan, or any portion thereof, is not implemented, the Board shall immediately advise the Supervisory Authorities, in writing, of specific reasons for deviating from the Management Plan.

(e) During the life of this ORDER, the Bank shall notify the Supervisory Authorities in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer, as that term is defined in Part 303 of the FDIC's Regulations, 12 C.F.R. § 303.102. The notification should include a description of the background and experience of the individual(s) to be added or employed and must be received at least 30 days before such addition or employment is intended to become effective. The Bank may not add any individual to its Board or employ any individual as a senior executive officer if the Regional Director issues a notice of disapproval pursuant to section 32 of the FDI Act, 12 U.S.C. § 1831i.

AFFILIATES

3. Within 30 days from the effective date of this ORDER, the Bank shall develop and maintain a list which thoroughly and accurately describes all affiliates of the Bank, as such term is defined in sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371c-1. In addition, within 30 days of the effective date of this ORDER, the Bank develop, adopt and implement a written policy to govern the relationship between the Bank and its affiliates.

CAPITAL

4. (a) While this ORDER is in effect, the Bank shall have and maintain Tier 1 capital in such an amount as to equal or exceed nine percent of the Bank's total assets. In the event this ratio falls below the established minimum, the Bank shall notify the

Supervisory Authorities and shall increase capital in an amount sufficient to comply with this paragraph within 90 days.

(b) Within 90 days from the effective date of this ORDER, the Bank shall develop and adopt a plan for achieving and maintaining the Tier 1 capital level required by subparagraph 4(a) during the life of this ORDER. The plan shall be submitted to the Supervisory Authorities for review and approval.

(c) Within 90 days from the effective date of this ORDER, the Bank shall develop and adopt a plan to meet the minimum risk-based capital requirements for a well-capitalized bank, as described in the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A. The Plan shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations.

(d) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to subparagraph 4(a) shall be in addition to a fully funded ALLL, the adequacy of which shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(e) Any increase in Tier 1 capital necessary to meet the requirements of paragraph 4 of this ORDER may be accomplished by the following:

(i) the sale of common stock; or

(ii) the sale of non-cumulative perpetual preferred stock; or

(iii) the direct contribution of cash by the Board, shareholders; or

(iv) any other means acceptable to the Supervisory Authorities; or

(v) any combination of the above means.

Any increase in Tier 1 capital necessary to meet the requirements of paragraph 4 of this ORDER may not be accomplished through a deduction from the Bank's ALLL.

(f) If all or part of the increase in Tier 1 capital required by paragraph 4 of this ORDER is accomplished by the sale of new securities, the Board shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare 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 any other material disclosures necessary to comply with the 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 plan and any materials used in the sale of the securities shall be submitted to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 and to the North Carolina Office of the Commissioner of Banks, 316 Edenton Street, Raleigh, North Carolina 27603. Any changes requested to be made in the plan or materials shall be made prior to their dissemination. If the increase in Tier 1 capital is provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Supervisory Authorities for prior approval.

(g) In complying with the provisions of paragraph 4 of this ORDER, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities, a 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 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(h) For the purposes of this ORDER, the terms "Tier 1 capital" and "total assets" shall have, the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 325.2(v) and 325.2(x), respectively.

ESTABLISH/MAINTAIN ALLOWANCE FOR LOAN AND LEASE LOSSES

5. Within 30 days from the effective date of this ORDER, the Board shall review the adequacy of the ALLL. For the purpose of this determination, the adequacy of the ALLL shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed at least 10 days prior to the end of each quarter, in order that the findings of the Board with respect to the ALLL may be properly reported in the quarterly Reports of Condition and Income. The review should focus on the results of the Bank's internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Reports

of Condition and Income, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the ALLL shall be in compliance with FDIC statements of policy, and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

PLAN TO IMPROVE EARNINGS

6. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate and fully implement a written plan and a comprehensive budget for all categories of income and expense. The plan and budget shall include formal goals and strategies, consistent with sound banking practices and taking into account the Bank's other written policies, to improve the Bank's net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings of the Bank. The plan shall include a description of the operating assumptions that form the basis for and adequately support major projected income and expense components. Thereafter, the Bank shall formulate such a plan and budget by November 30 of each subsequent year.

(b) The plan and budget and any subsequent modification thereto shall be submitted to the Supervisory Authorities for review and comment. Within 30 days after the receipt of any comment from the Supervisory Authorities, the Board shall approve the plan and budget or subsequent modification thereto, which approval shall be recorded in the minutes of the meeting of the Board.

(c) Following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the plan and budget and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

WRITTEN STRATEGIC PLAN

7. Within 90 days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities a written three-year business/strategic plan covering the overall operation of the Bank. The plan shall be submitted to the Supervisory Authorities for review and approval.

CASH DIVIDENDS

8. The Bank shall not pay cash dividends without the prior written consent of the Supervisory Authorities.

CHARGE-OFF

9. (a) Within 10 days from 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 ROE that have not been previously collected or charged-off.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days of the receipt of any future report of examination or visitation report of the Bank from the Regional Director or the Commissioner, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any assets classified “Loss” and fifty (50) percent of those classified “Doubtful,” unless otherwise approved in writing by the Supervisory Authorities.

NO ADDITIONAL CREDIT

10. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or

classified, in whole or in part, “Loss” or “Doubtful” and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing (after collection in cash of interest due from the borrower) any credit already extended to any borrower.

(b) Additionally, during the life of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, “Substandard” and is uncollected.

(c) Subparagraph 10(b) shall not apply if the Bank’s failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to the extending of any additional credit pursuant to this paragraph, either in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by a majority of the Board, or a designated committee thereof, who shall certify, in writing:

(i) why the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;

(ii) that the extension of such credit would improve the Bank's position, including an explanatory statement of how the Bank’s position would be improved; and

(iii) that an appropriate work-out plan has been developed and will be implemented in conjunction with the additional credit to be extended.

The signed certification shall be made a part of the minutes of the Board or designated committee, and a copy of the signed certification shall be retained in the borrower's credit file.

REDUCTION OF CLASSIFIED ITEMS

11. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate a written plan to reduce the Bank's risk exposure in each asset in excess of $300,000 classified "Substandard" in the ROE. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

(i) a schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iii) a schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the ALLL;

(iv) a provision for the Bank's submission of monthly written progress reports to its Board; and

(v) a provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Board.

(c) The plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified “Substandard” in the ROE 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 $22,575,000

(ii) Within 180 days, to not more than $15,050,000

(iii) Within 360 days, to not more than $7,525,000

(d) The requirements of this paragraph are not to be construed as standards for future operations of the Bank. Furthermore, the Bank shall eventually reduce the total of all adversely classified assets. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets.

(e) The Bank shall immediately submit the plan to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the plan. Such plans shall be monitored and progress reports thereon shall be submitted to the Supervisory Authorities at 90-day intervals concurrently with the other reporting requirements set forth in paragraph 21 of this ORDER.

LENDING PRACTICES

12. (a) Within 90 days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities specific plans and proposals to effect the correction of all loan underwriting, loan administration, and loan portfolio management weaknesses detailed in the ROE. At a minimum, these plans and proposals shall incorporate procedures:

(i) to address all loan underwriting weaknesses detailed on pages 3, 4 and 8 of the ROE;

(ii) cease alternative documentation procedures for commercial real estate loans;

(iii) to address the appropriate use of interest reserves;

(iv) to ensure proper financial analysis of potential and existing credit relationships, including the documentation of cash flow for the primary and secondary sources of repayment;

(v) to evaluate the Bank's loan review and grading system and implement changes which shall:

a. ensure that loans are appropriately graded;

b. ensure that loan grades are reviewed twice a year and changed if necessary;

c. ensure that problem loans are accurately identified on a timely basis;

d. ensure that collateral and credit documentation deficiencies and policy exceptions are identified; and

e. ensure that the results of the loan review are communicated in writing to the Board and the Loan Committee;

(vi) to ensure that the Bank's assessment of the adequacy of capital and the ALLL appropriately considers the loan review and grading system;

(vii) to revise the loan policy to include risk limits for industry and individual concentrations and procedures for monitoring and reporting such;

(viii) to require strict guidelines for out-of-territory loans, which, at a minimum, include an aggregate limitation of such loans, require complete credit documentation, and require approval by a majority of the Board prior to disbursement of funds, including a written explanation of why such loans are in the best interest of the Bank; and

(ix) to monitor officer compliance with the written loan policy and to assign responsibility for exceptions to the policy.

(b) Within 90 days from the effective date of this ORDER, the Bank shall establish, adopt, and implement a written loan policy to provide effective guidance, monitoring, and control over the Bank's acquisition, development, and construction ("ADC") lending function. The policy shall address the weaknesses related to the Bank's ADC lending activities, as detailed in the ROE. Also, the policy shall provide for a planned material reduction in the volume of funded and unfunded ADC loans as a percentage of Tier 1 capital. Such policy shall be provided to the Supervisory Authorities for review and approval prior to implementation, and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

SPECIAL MENTION

13. Within 60 days from the effective date of this ORDER, the Bank shall take all necessary steps to correct the cited deficiencies in the loans listed for "Special Mention" on page 27 of the ROE. The Board shall provide reports regarding steps taken to correct the cited deficiencies to the Supervisory Authorities at 90-day intervals concurrently with the other reporting requirements set forth in paragraph 21 of this ORDER.

CONCENTRATIONS OF CREDIT

14. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop a written plan and policy for systematically reducing the Bank's portfolio of loans or other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers noted on page 30 of the ROE to an amount that is consistent with the Bank's business strategies, management expertise, size, and location. At a minimum, the plan shall include:

(i) amounts and percent of capital to which the Bank shall reduce each concentration;

(ii) timeframes for achieving the reduction in dollar levels identified in response to subparagraph 14(a)(i);

(iii) provisions for the submission of monthly, written progress reports to the Board for review and notation in the minutes of the meetings; and

(iv) procedures for monitoring the Bank's compliance with the plan.

(b) Within 60 days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis with respect to the industry concentrations of credit listed on page 30 of the ROE. At a minimum, concentrations shall be identified by industry, geographic distribution, underlying collateral, direct or indirect extensions of credit to or for the benefit of any borrowers dependent upon the performance of a single developer or builder, and other asset groups that are considered economically related. The segmentation analysis required by this paragraph shall be consistent with the interagency guidance on *Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*, http://www.fdic.gov/news/press/2006/pr06114.html.

(c) A copy of the plan and the analysis shall be provided to the Supervisory Authorities for review and approval. The plan and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

LIQUIDITY

15. (a) From the effective date of this ORDER, the Bank shall review its liquidity position at least monthly to ensure that the Bank has sufficient liquid assets or sources of liquidity to meet current and anticipated liquidity needs. The results of each monthly analysis shall be made a part of the Board minutes.

(b) Within 60 days from the effective date of this ORDER, the Bank shall develop or revise, adopt, and implement a written liquidity contingency plan. At a minimum, this plan shall:

(i) define responsibilities and decision making authority for Bank personnel;

(ii) assess possible liquidity events;

(iii) assess the potential liquidity risk posed by bank activities;

(iv) identify potential sources and uses of funds;

(v) identify and assess the adequacy of contingent funding sources;

(vi) identify the sequence in which sources of funds will be used for contingent needs;

(vii) accelerate the timeframes for funds management reporting in a problem liquidity situation;

(viii) require periodic testing of accessibility to established lines of credit and other alternative sources of funds; and

(ix) address procedures to ensure funds will meet the overnight cash letter.

Such plan shall be submitted to the Supervisory Authorities for review and approval, and its implementation shall be in a form and manner acceptable to the Supervisory Authorities, as determined at subsequent examinations and/or visitations.

SENSITIVITY TO MARKET RISK

16. From the effective date of this ORDER, the Bank shall review its sensitivity to market risk at least monthly. The results of each monthly analysis shall be made a part of the Board minutes. The management and review of market risk should be in compliance with the Joint Agency Policy Statement on Interest Rate Risk. The reviews and assessment of sensitivity to market risk will be made a part of the Board of Directors minutes.

AUDIT PROGRAM

17. (a) Within 120 days from the effective date of this ORDER, the Bank shall improve supervision of the audit program. The Bank shall review and implement all audit program recommendations contained on page 9 of the ROE.

ELIMINATE/CORRECT ALL VIOLATIONS OF LAWS

18. (a) Within 30 days from the effective date of this ORDER, the Bank shall take all necessary steps, subject to safe and sound banking practices, to eliminate and/or correct the violations of laws set out on pages 13 through 14 of the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

(b) Within 30 days from the effective date of this ORDER, the Bank shall take all necessary steps, to eliminate the contraventions of guidance and statements of policy set out on pages 15 through 16 of the ROE. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable guidance and policies.

BSA COMPLIANCE PLAN

19. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan for continued administration of a program reasonably designed to ensure and maintain compliance with the BSA Rules and CIP ("Compliance Plan"). The Bank shall submit the Compliance Plan to the Regional Director for review and comment. Upon receipt of the Regional Director's comments, if any, the Board shall review, approve, and implement the Compliance Plan. After the Board has approved the Compliance Plan, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall ensure future compliance with the BSA Rules. At a minimum, the Compliance Plan shall require the review, enhancement, or restatement, as appropriate of:

(i) the system of internal routines and controls to ensure compliance with the BSA Rules including, but not limited to, the monitoring of high-risk and suspicious activities for all types of accounts, products, services, and geographic areas.

(ii) the written customer CIP as required by 31 C.F.R. Section 103.121, appropriate for the Bank's size and type of business, consistent with the requirements of the BSA Rules and which addresses the criticisms enumerated in the Report;

(iii) analysis and assessment of the Bank's staffing needs to provide an adequate number of qualified staff for the BSA Department.

(iv) designate a qualified officer responsible for managing, coordinating, and monitoring the Bank's BSA Program. The BSA Officer shall report directly to the Board or to the Directors' Committee established by the Board pursuant to paragraph 1 of this ORDER;

(v) independent annual testing for compliance with the BSA in accordance with the procedures described in section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8;

(vi) provide comprehensive training that shall have a general component for all directors and staff and specific components that are tailored to the needs of specific positions, departments, and personnel. The training program shall provide for both initial and periodic refresher training and shall specify who is responsible for dissemination of changes in the BSA Rules and in what media and time notifications of changes are to be made. The training program shall require documentation of attendance at training with full explanations of absences with notation of when absentees will be trained.

DISCLOSURE

20. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the Bank's next shareholder communication. The description shall fully describe the ORDER 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 17th Street, N.W., Washington, D.C. 20429 and the North Carolina Office of the Commissioner of Banks, 316 Edenton Street, Raleigh, North Carolina 27603 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and the Commissioner shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

21. Within 30 days of the end of the first quarter following the effective date of this ORDER and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form and manner of any actions taken, and the results thereof, to secure compliance with this ORDER. Such written progress reports shall include a copy of the Bank’s Reports of Condition and Income and shall provide cumulative detail of the Bank’s progress toward achieving compliance with each provision of the ORDER. Progress reports may be discontinued when the corrections required by this ORDER have been accomplished and the

Supervisory Authorities have, in writing, released the Bank from making further reports.

The North Carolina Commissioner of Banks having duly approved the foregoing Order, and the Bank, through its Board, agree that the issuance of the said Order 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 Order would be binding on the Bank if the Commissioner had issued a separate Order that included and incorporated all of the provisions of the foregoing Order pursuant to the provisions of N.C. Stat. § 54C-76(a)(2005).

Dated this 3RD day of November, 2008.

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

This ORDER shall become effective 10 days from the date of its issuance. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at Atlanta, Georgia, this 12th day of November, 2008.

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Mark S. Schmidt
Regional Director
Atlanta Region
Federal Deposit Insurance Corporation