

95245

**SUPERVISORY AGREEMENT**

This Supervisory Agreement ("Agreement") is made and is effective this 26th day of April, 1990, by and between Blue Ridge Savings Bank, Inc., Asheville, North Carolina, for itself and its wholly owned service corporations (hereinafter called "Blue Ridge" or "Institution") and the Office of Thrift Supervision ("OTS"), acting through its Atlanta District Director or his delegate ("DD").

WHEREAS, the OTS is of the opinion that the Institution has violated certain of the laws or regulations to which it is subject and/or has engaged in certain unsafe or unsound practices in conducting the business of the Institution, and that such violations and/or practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS, and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution, without admitting or denying that the Institution has violated certain of the laws or regulations to which it is subject and/or has engaged in certain unsafe or unsound practices in conducting the business of the Institution, is willing to enter into this Agreement to avoid initiation of cease and desist proceedings against Blue Ridge, and

WHEREAS, the OTS is willing to forbear from the initiation of cease and desist proceedings against Blue Ridge to require the actions specifically covered by this Agreement for so long as the Institution is in compliance with the provisions of the Agreement that pertain to such actions, and

WHEREAS, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement measures to require actions not specifically covered by this Agreement which the OTS considers appropriate under the circumstances.

NOW, THEREFORE, in consideration of the above-stated forbearance, it is agreed between the parties hereto as follows:

**I. REGULATORY COMPLIANCE**

Within 30 days after the date of this Agreement, the members of the board shall review, and hereafter the

Institution shall comply with, the provisions of:

- A. 12 C.F.R. Section 528.6;
- B. 12 C.F.R. Section 563.37;
- C. 12 C.F.R. Sections 563.41, and 563.43;
- D. 12 C.F.R. Section 563.99, as republished in 54 Fed. Reg. 49411, 49579 (Nov. 30, 1989);
- E. 12 C.F.R. Section 563.160, as republished in 54 Fed. Reg. 49411, 49583 (Nov. 30, 1989);
- F. 12 C.F.R. Section 563.170(c)(3), as republished in 54 Fed. Reg. 49411, 49584 (Nov. 30, 1989);
- G. 12 C.F.R. Sections 571.7, and 571.9;
- H. 12 C.F.R. Sections 571.26, as republished in 54 Fed. Reg. 49411, 49687 (Nov. 30, 1989);
- I. Federal Reserve Regulation CC, 12 C.F.R. Part 229;
- J. 12 C.F.R. Part 563e, and the Community Reinvestment Act of 1977, 12 U.S.C. 2901 et seq., as amended;
- K. Sections 23A, 23B, and 22(h) of the Federal Reserve Act ("FRA"), 12 U.S.C. Sections 371c, 371c-1, and 375b, as implemented by Federal Reserve Regulation O, 12 C.F.R. Part 215;
- L. Memoranda R 19a, and R 62;
- M. Sections 130, 140, and 261 of the Thrift Activities Handbook, and Section 220 of the Compliance Activities Handbook.

Within 45 days after the date of this Agreement, the board shall provide to the DD a certified resolution that each member of the board has reviewed and familiarized himself/herself with the provisions of each of the cited statutes, regulations, policy statements, memoranda and publications in this paragraph.

**II. CONFLICTS OF INTEREST/TRANSACTIONS WITH AFFILIATES**

Blue Ridge shall not make, invest in, purchase, sell, refinance, extend or otherwise modify or commit to make, invest in, purchase, sell, refinance, extend, or otherwise modify any loans to, nor engage in any other business arrangement, or real or personal property transactions (other than deposit transactions in the ordinary course of business) with any affiliated person (as defined in 12 C.F.R. Section 561.5) unless 30 days prior written notice of such transaction has been provided to the DD or his delegate and the DD does not object, even if notification and/or approval of the transaction is not required by 12 C.F.R. Sections 563.43(b) and/or 563.41. This provision, however, shall not apply to loans of the following types, provided such loans comply with the Institution's loan underwriting standards and applicable regulations, and are approved by the board of directors in accordance with 12 C.F.R. Section 563.43(b):

- (1) loans secured by savings accounts of the Institution;
- (2) loans fully secured by the borrower's principal residence;
- (3) education loans;
- (4) consumer loans up to \$10,000 in the aggregate to one borrower; and
- (5) commercial loans up to \$10,000 in the aggregate to one borrower.

**III. LENDING/ASSET CLASSIFICATION**

A. Blue Ridge shall develop and submit to the DD, within 60 days after the date of this Agreement, comprehensive written consumer loan underwriting policies and procedures for all secured and unsecured consumer loans in a form and content satisfactory to the DD. Said policies and procedures shall address, at minimum, specific types of consumer loans offered by Blue Ridge, documentation requirements for each type of consumer loan, borrower qualifications (i.e., acceptable debt service ratios, financial statements, credit history, etc.), financial

statement requirements, requirements relating to other sources of credit information, consumer loan administration issues, loan renewal policies, and loan collateralization requirements. Blue Ridge shall comply with its written consumer loan policies once such policies have been deemed acceptable by the DD.

- B. (1) Blue Ridge shall revise its written construction loan policies and procedures to provide for (a) the rotation of inspectors, (b) a segregation of the administration, inspection and disbursement functions, and (c) the maintenance of adequate funds at all times in loans in process accounts to complete construction.
- (2) Blue Ridge shall provide the DD with a certified board resolution, within 45 days after the date of this Agreement, stating that the Institution's written policies have been revised and implemented in accordance with Paragraphs II B.(1), and (2) of this Agreement. The Institution shall comply with said written policies and procedures, as revised.
- C. (1) Blue Ridge shall revise its asset classification policy to provide for a quarterly review, at a minimum, by the asset review committee of all assets warranting classification.
- (2) The Institution shall comply with its written policies and procedures for asset classification, as revised, and all applicable regulations pertaining to asset classification. All asset classifications shall be correctly reported in Thrift Financial Reports filed with the OTS in accordance with 12 C.F.R. Section 563.160(c)(3).
- (4) Blue Ridge shall undertake a review of its asset portfolio and establish adequate general valuation allowances in accordance with 12 C.F.R. Section 563.160(c). Within 60 days after the date of this Agreement, the board of directors shall provide the DD with a certified board resolution indicating the results of the review and supporting the adequacy of its general reserves.

**III. COMMUNITY REINVESTMENT ACT**

A. Within 10 days after the date of this Agreement, Blue Ridge shall appoint a CRA Compliance Officer and shall establish a CRA Policy Committee, comprised of two senior officers and at least two directors of the Institution. In addition, the CRA Policy Committee shall develop a CRA plan to improve the Institution's CRA performance. Such plan shall address at a minimum: (a) the propriety of the Institution's present delineation of its local community, by determining whether the Institution can adequately ascertain and help meet the credit needs of the Institution's community as it is presently delineated (This determination by the Institution should be consistent with such factors as resources, competition, etc., and should take into account low and moderate income areas.); (b) a strategy of ascertaining the credit needs of its entire community; (c) a strategy of developing products and services that serve to help meet the credit needs of the Institution's community; (d) a strategy of marketing the products and services developed by the Institution in response to identified credit needs of the Institution's community, including the utilization of any media that exists to communicate the existence of such products to the low and moderate income population of the Institution's community; and (e) the complete documentation of the Institution's efforts in all of the above areas.

B. The board of directors shall, at a minimum, on a quarterly basis discuss the findings of the CRA Policy Committee, and the board of directors' minutes shall fully disclose the board's quarterly consideration of the CRA Policy Committee findings.

**IV. BUSINESS PLAN/BUDGET**

A. The board of directors shall review the Institution's existing 3-year business plan on a quarterly basis, at minimum, to compare actual types and levels of activities, and actual quarterly financial results, with the projections contained in the business plan. If the board determines that the Institution has deviated significantly from its business plan, or if changes are necessary to the plan as a result of a change in budgeted projections, Blue Ridge shall revise, to the extent necessary, its 3-year business plan

and submit the revised plan to the DD for approval within 30 days after the end of the quarter in which the deviations and/or changes occurred. In addition, Blue Ridge shall incorporate in the business plan a one-year operating budget that is satisfactory to the DD. The board of directors shall approve and submit the budget to the DD within 30 days after the effective date of this Agreement, review the projections contained therein on a quarterly basis, at minimum, and advise the DD of any deviations from the budget and/or business plan within 15 days of each quarterly review.

- B. The board of directors' minutes shall fully disclose its consideration of the quarterly discussions referenced in Part IV, Paragraph A of this Agreement.

#### V. OTHER

- A. Blue Ridge shall revise and implement its existing EDP Contingency Disaster Plan to comply with Thrift Bulletin 30. Said plan shall be submitted to the DD for review within within 45 days after the date of this Agreement.
- B. Within 30 days after the date of this Agreement, Blue Ridge shall undertake all necessary actions to achieve a complete and separate corporate existence between the Institution, Financial Guaranty Insurance Corporation, Financial Guaranty Corporation, and all other affiliates of the Institution. Such actions shall include, but not be limited to, the execution of written lease agreements, where appropriate, the complete segregation of corporate records between Blue Ridge and its affiliates, and the implementation of a reimbursement program for services performed and/or furniture and equipment utilized. Blue Ridge shall provide a report to the DD, within 45 days after the date of this Agreement, describing actions taken in this regard.
- C. With respect to submissions required under this Agreement, the DD or his designee shall advise the Institution, within 60 days of such submissions, whether the submissions are satisfactory or require additional action or clarification.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Agreement references to regulations, bulletins, memoranda and publications shall include any successor regulations, bulletins, memoranda and publications which are provided pursuant to, issued or remain in effect under the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of Blue Ridge. It is understood and agreed that this Agreement is a "written agreement entered into with the agency" as that phrase is used in Section 8(b)(1) of the Federal Deposit Insurance Act, 12 U.S.C. Section 1818(b)(1), as amended by FIRREA.

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the District Director or his designee. The District Director or his designee may suspend, in his or her sole discretion, any or all provisions of this Agreement.

IN WITNESS WHEREOF, the OTS, acting through the District Director or his designee, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

Blue Ridge Savings Bank, Inc.  
Asheville, North Carolina

By: \_\_\_\_\_

By: \_\_\_\_\_

By:   *ISI*  

OFFICE OF THRIFT SUPERVISION

By:   *ISI*    
John E. Ryan  
District Director



