

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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	)	
In the Matter of	)	
	)	CONSENT ORDER
GREYSTONE BANK	)	
RALEIGH, NORTH CAROLINA	)	FDIC-10-844b
	)	
(Insured State Nonmember Bank)	)	
	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Greystone Bank, Raleigh, North Carolina (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation to the Issuance of a Consent Order” (“STIPULATION”), dated February 22, 2011, that is accepted by the FDIC. With this STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to weaknesses in asset quality, earnings, capital, management effectiveness, risk management, liquidity, and sensitivity to market risk, to the issuance of this Consent Order (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

**1. BOARD OF DIRECTORS**

As of 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 and objectives and 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. The Board shall cause to be prepared in advance and shall follow a detailed written agenda for each meeting, including consideration of the actions of any committees. Nothing in the foregoing sentences shall preclude the Board from considering matters other than those contained in the agenda. 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, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

**2. MANAGEMENT**

(a) During the life of this ORDER, the Bank shall have and retain qualified management with the qualifications and experience commensurate with assigned duties and responsibilities at the Bank. Each member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

(b) 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 and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition, including, but not limited to, asset quality, capital adequacy, earnings, management effectiveness, risk management, liquidity, and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC's Atlanta Regional Office (“Regional Director”), in writing and within ten business days, of the resignation or termination of any of the Bank’s directors or senior executive officers and provide the reason for the resignation or termination of the individual. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer or executive officer, as those terms are defined in Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. § 303.101, the Bank shall comply with the requirements of section 32 of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104. The notification shall include a description of the background and experience of the individual or individuals to be added or employed and must be received at least 60 days before such addition or employment is intended to become effective. If the Regional Director issues a notice of disapproval pursuant to section 32 of the Act, 12 U.S.C. § 1831i, with respect to any proposed individual, then such individual may not be added or employed by the Bank.

### **3. CAPITAL**

(a) Within 90 days from the effective date of this ORDER, the Bank shall maintain Tier 1 Capital in such amount as to equal or exceed eight percent (8%) of its

total assets, and shall have Total Risk-Based Capital in such an amount as to equal or exceed twelve percent (12%) of the Bank's total risk-weighted assets as those capital ratios are defined in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

(b) The level of Tier 1 Capital to be maintained during the life of this ORDER pursuant to this paragraph shall be in addition to a fully funded allowance for loan and lease losses ("ALLL"), which ALLL covers non-fair market value loans, the adequacy of which shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

(c) Within 15 days of the last day of each calendar month-end, the Bank shall determine its capital ratios for that calendar month. If any capital measure falls below the minimum ratio required by this ORDER, within 30 days of such required determination of capital ratios, the Bank shall submit a written plan to the FDIC, describing the means and timing by which the Bank shall increase such ratios up to or in excess of the established minimum.

#### **4. LENDING AND COLLECTION POLICIES**

Within 60 days from the effective date of this ORDER, the Bank shall ensure the full implementation of its written lending and collection policy to provide effective guidance and control over the Bank's lending function, which implementation shall include the resolution of those exceptions enumerated in the Visitation Report dated September 9, 2010 ("Report"), including, but not limited to, timely identification of problem loans and accurate valuation of loans held at fair value in accordance with generally accepted accounting principles. The Bank shall maintain documentation to

support the valuation of loans held at fair value. Such policy and its implementation shall be in a form and manner acceptable to the Regional Director.

**5. CHARGE-OFF**

While this ORDER remains in effect, the Bank shall, within 30 days from the receipt of any official Report of Examination of the Bank from the FDIC or the North Carolina Commissioner of Banks (the “Commissioner”), eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any asset classified “Loss” and 50 percent of those classified “Doubtful” unless otherwise approved in writing by the Regional Director. If an asset is classified “Doubtful”, the Bank may, in the alternative, charge off the amount that is considered uncollectible in accordance with the Bank’s written analysis of loan or lease impairment. Such analysis shall be accomplished in accordance with generally accepted accounting principles and the Federal Financial Institutions Examination Council’s Instructions for the Reports of Condition and Income, Interagency Statements of Policy on the ALLL, and other applicable regulatory guidance that addresses the adequacy of the Bank’s ALLL. Elimination of any of these assets through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

**6. REDUCTION OF CLASSIFIED ASSETS**

(a) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Regional Director, for review and comment, a written plan to reduce the Bank’s risk position in each asset in excess of \$500,000, which is classified “Substandard” in the Report. Within 10 days from the receipt of any comment from the Regional Director, and after due consideration of any recommended changes, the Bank

shall approve the plan, which approval shall be recorded in the minutes of a Board meeting. Thereafter, the Bank shall implement and follow this plan.

(b) The written plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified “Substandard” in the 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 180 days, a reduction of twenty-five (25%) percent in the balance of assets classified “Substandard”;

(ii) within 360 days, a reduction of forty-five (45%) percent in the balance of assets classified “Substandard”; and

(iii) within 540 days, a reduction of sixty (60%) percent in the balance of assets classified “Substandard.”

## **7. RESTRICTIONS ON FUTURE ADVANCES**

(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” or “Special Mention” 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.

(c) Paragraph 7(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 extension 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 as follows:

- (i) why the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;
- (ii) that the Bank's position would be improved thereby; including an explanatory statement of how the Bank's position would be improved;
- (iii) that an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and
- (iv) that the new extension of credit will not result in the Bank exceeding any limitation contained in the Bank's Strategic Plan pursuant to Paragraph 8 of this ORDER.

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

## **8. STRATEGIC PLAN**

(a) Within 30 days of the effective date of this ORDER, the Bank shall develop and submit to the Regional Director a written strategic plan ("Strategic Plan").

The Strategic Plan shall require the written approval of the Regional Director. The Strategic Plan shall describe the action steps and include detailed projections that reflect resolution of the Bank's risk profile. Actions taken by the Bank to reduce its risk profile according to the strategic plan already in place prior to the effective date of this ORDER shall not constitute a violation of this paragraph.

(b) The Strategic Plan shall provide that the Bank maintains capital and liquidity in accordance with the requirements of this ORDER, and shall specifically address the composition and maturity of the loan and deposit portfolios.

(c) As part of the Strategic Plan, the Bank shall formulate and fully implement a comprehensive budget for income, expense, capital, and the ALLL. This budget shall include formal goals and strategies, consistent with sound banking practices. The budget shall include a description of its underlying assumptions.

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

(e) During the life of this ORDER, the Bank shall not engage in any new lines of business except with the prior written approval of the Regional Director. The Bank shall not establish any new branches or other offices of the Bank without the prior written approval of the Regional Director.

**9. FUNDS MANAGEMENT PLAN**

Within 30 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan addressing liquidity, contingent funding, and asset liability

management. The plan shall incorporate the guidance contained in FIL-84-2008, dated August 26, 2008, entitled *Liquidity Risk Management*. A copy of the plan shall be submitted to the Regional Director upon its completion for review and comment. Within 30 days from the receipt of any comments from the Regional Director, the Bank shall incorporate those recommended changes. Thereafter, the Bank shall implement and follow the plan. Annually during the life of this ORDER, the Bank shall review this plan for adequacy and, based upon such review, shall make appropriate revisions to the plan that are necessary to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. On-balance sheet liquidity shall be maintained at fifteen percent (15%) of the sum of total deposits and all borrowings. Compliance with this provision shall be measured at each month-end.

**10. ASSET GROWTH LIMITATIONS**

During the life of this ORDER, the Bank shall limit asset growth to five percent (5%) per annum without receiving prior written approval of the Regional Director. In no event shall asset growth result in noncompliance with the capital maintenance provisions of this ORDER unless the Bank receives prior written approval from the Regional Director.

**11. RESTRICTIONS ON CERTAIN PAYMENTS**

(a) While this ORDER is in effect, the Bank shall not declare or pay dividends, bonuses, or any other form of payment outside of the ordinary course of business resulting in a reduction of capital without the prior written approval of the Regional Director. All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date or payment (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 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 Regional Director.

## **12. BROKERED DEPOSITS**

(a) Throughout the life of this ORDER, 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.

## **13. DISCLOSURE**

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 and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. 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 17<sup>th</sup> Street, N.W., Room F-6066, Washington, D.C. 20429, at least fifteen (15) 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.

**14. PROGRESS REPORTS**

Within 15 days from the end of the first month following the effective date of this ORDER, and within 15 days of the end of each month thereafter, the Bank shall furnish written progress reports to the Regional Director detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has released the Bank in writing from making further reports. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the minutes of the appropriate Board meeting.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC 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 ORDER shall be effective on the date of issuance.

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.

Issued Pursuant to Delegated Authority

Dated this 1st day of March, 2011.

/s/

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Thomas J. Dujenski  
Regional Director  
Division of Risk Management Supervision  
Atlanta Region  
Federal Deposit Insurance Corporation