

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

Written Agreement by and between

WESTSTAR FINANCIAL SERVICES  
CORPORATION  
Asheville, North Carolina

and

FEDERAL RESERVE BANK OF  
RICHMOND  
Richmond, Virginia

Docket No. 10-232-WA/RB-HC

WHEREAS, Weststar Financial Services Corporation, Asheville, North Carolina (“Weststar”), a registered bank holding company, owns and controls The Bank of Asheville, Asheville, North Carolina (the “Bank”), a state-chartered nonmember bank, and a nonbank subsidiary;

WHEREAS, it is the common goal of Weststar and the Federal Reserve Bank of Richmond (the “Reserve Bank”) to maintain the financial soundness of Weststar so that Weststar may serve as a source of strength to the Bank;

WHEREAS, Weststar and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on December 7, 2010, the board of directors of Weststar, at a duly constituted meeting, adopted a resolution authorizing and directing Darryl J. Hart to enter into this Agreement on behalf of Weststar, and consenting to compliance with each and every provision of this Agreement by Weststar and its institution-affiliated parties, as defined in

sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Weststar and the Reserve Bank agree as follows:

**Source of Strength**

1. The board of directors of Weststar shall take appropriate steps to fully utilize Weststar’s financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the State of North Carolina, Office of the Commissioner of Banks, on September 23, 2010, and any other supervisory action taken by the Bank’s federal or state regulator.

**Dividends and Distributions**

2. (a) Weststar shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the “Director”).

(b) Weststar shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) Weststar and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Weststar's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment. For requests to declare or pay dividends, Weststar must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

#### **Debt and Stock Redemption**

3. (a) Weststar shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Weststar shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

#### **Compliance with Laws and Regulations**

4. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Weststar shall comply with the notice provisions of section 32 of the

FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Weststar shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359).

### **Progress Reports**

5. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

### **Communications**

6. All communications regarding this Agreement shall be sent to:

- (a) Mr. A. Linwood Gill, III  
Vice President  
Federal Reserve Bank of Richmond  
P.O. Box 27622  
Richmond, Virginia 23261-7622
- (b) Mr. Randall C. Hall  
President and CEO  
Weststar Financial Services Corporation  
79 Woodfin Place  
Asheville, North Carolina 28801

### **Miscellaneous**

7. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to Weststar to comply with any provision of this Agreement.

8. The provisions of this Agreement shall be binding upon Weststar and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

9. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

10. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Weststar, the Bank, any nonbank subsidiary of Weststar, or any of their current or former institution-affiliated parties and their successors and assigns.

11. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 9<sup>th</sup> day of December, 2010.

WESTSTAR FINANCIAL  
SERVICES CORPORATION

FEDERAL RESERVE BANK  
OF RICHMOND

By: /s/ Darryl J. Hart  
Darryl J. Hart  
Chairman

By: /s/ A. Linwood Gill, III  
A. Linwood Gill, III  
Vice President