

THE ROSEN LAW FIRM, P.A.

Phillip Kim, Esq.
Laurence M. Rosen, Esq.
275 Madison Avenue, 40th Floor
New York, New York 10016
Telephone: (212) 686-1060
Fax: (212) 202-3827
Email: pkim@rosenlegal.com
Email: lrosen@rosenlegal.com

Counsel for Plaintiff

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

_____, Individually and on behalf of all
others similarly situated,

Plaintiff,

v.

BLUE RIDGE BANKSHARES, INC., BRIAN
K. PLUM, JUDY C. GAVANT, and G.
WILLIAM BEALE,

Defendants.

Case No:

**CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

JURY TRIAL DEMANDED

Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, among other things, the investigation conducted by and through his attorneys, which included, among other things, a review of the Defendants’ public documents, public filings, wire and press releases published by and regarding Blue Ridge Bankshares, Inc. (“Blue Ridge” or the “Company”), and

information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired publicly traded Blue Ridge securities between March 10, 2023 and October 31, 2023, inclusive (the “Class Period”). Plaintiff seeks to recover compensable damages caused by Defendant’s violations of the federal securities laws under the Securities Exchange Act of 1934 (the “Exchange Act”)

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. §78aa).

4. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and the subsequent damages took place in this judicial district.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased Blue Ridge securities during the Class Period and was economically damaged thereby.

7. Defendant Blue Ridge conducts its business activities through its “wholly-owned subsidiary bank, Blue Ridge Bank [. . .], and its wealth and trust management subsidiary, BRB Financial Group, Inc.”

8. Blue Ridge is incorporated in Virginia and its head office is located at 1807 Seminole Trail, Charlottesville, Virginia 22901. Blue Ridge’s common stock trades on the NYSE American Exchange (“NYSE American”) under the ticker symbol “BRBS”.

9. Defendant Brian K. Plum (“Plum”) served as the Company’s Chief Executive Officer (“CEO”) and President from prior to the class period until July 12, 2023.

10. Defendant Judy C. Gavant (“Gavant”) has served as the Company’s Chief Executive Officer (“CEO”) and Executive Vice President since February 2021, and President since April 20, 2022.

11. Defendant G. William Beale (“Beale”) has served as the Company’s CEO since July 12, 2023. He previously served as the CEO of Blue Ridge Bank, a Company subsidiary.

12. Defendants Plum, Gavant, and Beale are collectively referred to herein as the “Individual Defendants.”

13. Each of the Individual Defendants:

- (a) directly participated in the management of the Company;
- (b) was directly involved in the day-to-day operations of the Company at the highest levels;

- (c) was privy to confidential proprietary information concerning the Company and its business and operations;
- (d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;
- (e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;
- (f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or
- (g) approved or ratified these statements in violation of the federal securities laws.

14. Blue Ridge is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

15. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to the Company under *respondeat superior* and agency principles.

16. Blue Ridge and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements Issued During the Class Period

17. On March 10, 2023, Blue Ridge filed with the SEC its quarterly report on Form 10-K for the period ended December 31, 2022 (the "2022 Annual Report"). Attached to the 2022 Annual Report were certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") signed by

Defendants Plum and Gavant attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

18. The 2022 Annual Report contained the following statement regarding the Company's evaluation of its disclosure controls and procedures:

As of December 31, 2022, the Company, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, completed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. In designing and evaluating its disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that objectives of the disclosure controls and procedures are met. The design of any disclosure controls and procedures is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. ***Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of December 31, 2022 were effective*** in providing reasonable assurance that information required to be disclosed in the Company's reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified by the SEC's rules and forms, and that such information is accumulated and communicated to management of the Company, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(Emphasis added).

19. This statement was materially false and misleading at the time it was made because the Company had an existing weakness in its internal controls.

20. The 2022 Annual Report included the following financial information:

Five Year Summary of Selected Financial Data

(Dollars and shares in thousands, except per share data)

| | 2022 |
|---|-------------|
| Income Statement Data: | |
| Interest income | \$ 127,476 |
| Interest expense | 17,085 |
| Net interest income | 110,391 |
| Provision for loan losses | 17,886 |
| Net interest income after provision for loan losses | 92,505 |
| Noninterest income | 48,092 |
| Noninterest expense | 104,776 |
| Income from continuing operations before income tax expense | 35,821 |
| Income tax expense attributable to continuing operations | 8,244 |
| Net income from continuing operations | 27,577 |
| Net income (loss) from discontinued operations | 337 |
| Net income from discontinued operations attributable to noncontrolling interest | (1) |
| Net income attributable to Blue Ridge Bankshares, Inc. | \$ 27,913 |
| Per Common Share Data: | |
| Diluted EPS from continuing operations (1) | \$ 1.46 |
| Dividends declared per share (1) (2) | 0.4900 |
| Book value per common share (1) | 13.69 |

| <i>(Dollars in thousands)</i> | December 31, | |
|---|---------------------|--------------|
| | 2022 | 2021 |
| Nonaccrual loans (1) | \$ 10,324 | \$ 15,177 |
| Loans past due 90 days and still accruing (1) | 8,260 | 917 |
| Total nonperforming loans | \$ 18,584 | \$ 16,094 |
| Other real estate owned | 195 | 157 |
| Total nonperforming assets | \$ 18,779 | \$ 16,251 |
| Allowance for loan losses | \$ 22,939 | \$ 12,121 |
| Loans held for investment, including PPP loans | \$ 2,411,059 | \$ 1,807,578 |
| Loans held for investment, excluding PPP loans | \$ 2,399,092 | \$ 1,777,172 |
| Total assets | \$ 3,141,045 | \$ 2,665,139 |
| Allowance for loan losses to total loans held for investment, including PPP loans | 0.95 % | 0.67 % |
| Allowance for loan losses to total loans held for investment, excluding PPP loans | 0.96 % | 0.68 % |
| Allowance for loan losses to nonaccrual loans | 222.19 % | 79.86 % |
| Allowance for loan losses to nonperforming loans | 123.43 % | 75.31 % |
| Nonaccrual loans to total loans held for investment, including PPP loans | 0.43 % | 0.84 % |
| Nonaccrual loans to total loans held for investment, excluding PPP loans | 0.43 % | 0.85 % |
| Nonperforming loans to total loans held for investment, including PPP loans | 0.77 % | 0.89 % |
| Nonperforming loans to total loans held for investment, excluding PPP loans | 0.77 % | 0.91 % |
| Nonperforming assets to total assets | 0.60 % | 0.61 % |

Blue Ridge Bankshares, Inc.
Consolidated Balance Sheets
December 31, 2022 and 2021

| <i>(Dollars in thousands except share data)</i> | As of December 31, | |
|---|--------------------|--------------|
| | 2022 | 2021 |
| ASSETS | | |
| Cash and due from banks | \$ 77,274 | \$ 130,548 |
| Federal funds sold | 1,426 | 43,903 |
| Securities available for sale, at fair value | 354,341 | 373,532 |
| Restricted equity investments | 21,257 | 8,334 |
| Other equity investments | 23,776 | 14,184 |
| Other investments | 24,672 | 12,681 |
| Loans held for sale | 69,534 | 121,943 |
| Paycheck Protection Program loans, net of deferred fees and costs | 11,967 | 30,406 |
| Loans held for investment, net of deferred fees and costs | 2,399,092 | 1,777,172 |
| Less allowance for loan losses | (22,939) | (12,121) |
| Loans held for investment, net | 2,376,153 | 1,765,051 |
| Accrued interest receivable | 12,393 | 9,573 |
| Other real estate owned | 195 | 157 |
| Premises and equipment, net | 23,152 | 26,624 |
| Right-of-use asset | 6,903 | 6,317 |
| Bank owned life insurance | 47,245 | 46,545 |
| Goodwill | 26,826 | 26,826 |
| Other intangible assets | 6,583 | 7,594 |
| Mortgage servicing rights, net | 28,991 | 16,469 |
| Deferred tax asset, net | 9,182 | 150 |
| Other assets | 19,175 | 23,001 |
| Assets of discontinued operations | — | 1,301 |
| Total assets | \$ 3,141,045 | \$ 2,665,139 |

| LIABILITIES & STOCKHOLDERS' EQUITY | | |
|--|---------------------|---------------------|
| Deposits: | | |
| Noninterest-bearing demand | \$ 640,101 | \$ 685,801 |
| Interest-bearing demand and money market deposits | 1,318,799 | 962,092 |
| Savings | 151,646 | 150,376 |
| Time deposits | 391,961 | 499,502 |
| Total deposits | <u>2,502,507</u> | <u>2,297,771</u> |
| FHLB borrowings | 311,700 | 10,111 |
| FRB borrowings | 51 | 17,901 |
| Subordinated notes, net | 39,920 | 39,986 |
| Lease liability | 7,860 | 7,651 |
| Other liabilities | 19,634 | 14,543 |
| Liabilities of discontinued operations | — | 37 |
| Total liabilities | <u>2,881,672</u> | <u>2,388,000</u> |
| Commitments and contingencies (Note 22) | | |
| Stockholders' Equity: | | |
| Common stock, no par value; 50,000,000 and 25,000,000 shares authorized at December 31, 2022 and December 31, 2021, respectively; 18,950,329 and 18,774,082 shares issued and outstanding at December 31, 2022 and December 31, 2021, respectively | 195,960 | 194,309 |
| Additional paid-in capital | 252 | 252 |
| Retained earnings | 108,262 | 85,982 |
| Accumulated other comprehensive loss, net of tax | (45,101) | (3,632) |
| Total Blue Ridge Bankshares, Inc. stockholders' equity before noncontrolling interest | <u>259,373</u> | <u>276,911</u> |
| Noncontrolling interest of discontinued operations | — | 228 |
| Total stockholders' equity | <u>259,373</u> | <u>277,139</u> |
| Total liabilities and stockholders' equity | <u>\$ 3,141,045</u> | <u>\$ 2,665,139</u> |

See accompanying notes to consolidated financial statements.

21. On May 10, 2023, Blue Ridge filed with the SEC its quarterly report on Form 10-Q for the period ended March 31, 2023 (the "1Q23 Report"). Attached to the 1Q23 Report were certifications pursuant to SOX signed by Defendants Plum and Gavant attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

22. The 1Q23 Report contained the following statement regarding the Company's evaluation of its disclosure controls and procedures:

The Company maintains disclosure controls and procedures that are designed to provide assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed,

summarized, and reported within the time periods required by the SEC and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. *An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2023 was carried out under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer. Based on and as of the date of such evaluation, the aforementioned officers concluded that the Company's disclosure controls and procedures were effective.*

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting. There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

(Emphasis added).

23. This statement was materially false and misleading at the time it was made because the Company had an existing weakness in its internal controls.

24. The 1Q23 Report included the following financial information:

| <i>(Dollars in thousands, except per share data)</i> | For the three months ended | |
|--|-----------------------------------|-----------------------|
| | March 31, 2023 | March 31, 2022 |
| INTEREST INCOME | | |
| Interest and fees on loans | \$ 39,294 | \$ 23,899 |
| Interest on securities, deposit accounts, and federal funds sold | 3,759 | 1,903 |
| Total interest income | 43,053 | 25,802 |
| INTEREST EXPENSE | | |
| Interest on deposits | 11,331 | 1,556 |
| Interest on subordinated notes | 553 | 553 |
| Interest on FHLB and FRB borrowings | 3,810 | 25 |
| Total interest expense | 15,694 | 2,134 |
| Net interest income | 27,359 | 23,668 |
| Provision for credit losses - loans | 4,100 | 2,500 |
| Provision (benefit) for credit losses - unfunded commitments | (400) | — |
| Total provision for credit losses | 3,700 | 2,500 |
| Net interest income after provision for credit losses | 23,659 | 21,168 |

| NONINTEREST EXPENSE | | |
|--|-----------------|------------------|
| Salaries and employee benefits | 15,289 | 14,096 |
| Occupancy and equipment | 1,569 | 1,485 |
| Data processing | 1,346 | 946 |
| Legal | 1,234 | 382 |
| Advertising and marketing | 286 | 428 |
| Communications | 1,131 | 799 |
| Audit and accounting fees | 146 | 141 |
| FDIC insurance | 729 | 231 |
| Intangible amortization | 355 | 397 |
| Other contractual services | 939 | 534 |
| Other taxes and assessments | 802 | 570 |
| Regulatory remediation | 1,134 | — |
| Merger-related | — | 50 |
| Other | 3,887 | 2,630 |
| Total noninterest expense | 28,847 | 22,689 |
| Income from continuing operations before income tax expense | 2,095 | 22,573 |
| Income tax expense | 491 | 5,153 |
| Net income from continuing operations | \$ 1,604 | \$ 17,420 |
| Discontinued Operations | | |
| Income from discontinued operations before income taxes | — | 426 |
| Income tax expense | — | 89 |
| Net income from discontinued operations | — | 337 |
| Net income | \$ 1,604 | \$ 17,757 |
| Net income from discontinued operations attributable to noncontrolling interest | — | (1) |
| Net income attributable to Blue Ridge Bankshares, Inc. | \$ 1,604 | \$ 17,756 |
| Net income available to common stockholders | \$ 1,604 | \$ 17,756 |
| Basic and Diluted EPS from continuing operations | \$ 0.09 | \$ 0.93 |

See accompanying notes to unaudited consolidated financial statements.

Item 1. Financial Statements

Blue Ridge Bankshares, Inc. Consolidated Balance Sheets

| | <i>(unaudited)</i> |
|---|-----------------------|
| | March 31, 2023 |
| <i>(Dollars in thousands except share data)</i> | |
| ASSETS | |
| Cash and due from banks | \$ 226,374 |
| Federal funds sold | 1,976 |
| Securities available for sale, at fair value | 351,990 |
| Restricted equity investments | 18,388 |
| Other equity investments | 22,960 |
| Other investments | 26,538 |
| Loans held for sale | 76,528 |
| Paycheck Protection Program loans, net of deferred fees and costs | 7,988 |
| Loans held for investment, net of deferred fees and costs | 2,448,992 |
| Less: allowance for credit losses | (29,974) |
| Loans held for investment, net | 2,419,018 |
| Accrued interest receivable | 14,915 |
| Other real estate owned | — |
| Premises and equipment, net | 23,244 |
| Right-of-use asset | 6,470 |
| Bank owned life insurance | 47,536 |
| Goodwill | 26,826 |
| Other intangible assets | 6,196 |
| Mortgage servicing rights, net | 27,095 |
| Deferred tax asset, net | 9,605 |
| Other assets | 21,264 |
| Total assets | \$ 3,334,911 |

25. On August 7, 2023, Blue Ridge filed with the SEC its quarterly report on Form 10-Q for the period ended June 30, 2023 (the “2Q23 Report”). Attached to the 2Q23 Report were certifications pursuant to SOX signed by Defendants Beale and Gavant attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

26. The 2Q23 Report contained the following report on internal control over financial reporting. It stated, in pertinent part:

The Company maintains disclosure controls and procedures that are designed to provide assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods required by the SEC and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. *An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2023 was carried out under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer. Based on and as of the date of such evaluation, the aforementioned officers concluded that the Company's disclosure controls and procedures were effective.*

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting. There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

(Emphasis added).

27. This statement was materially false and misleading at the time it was made because the Company had an existing material weakness in its internal controls.

28. The 2Q23 Report included the following financial information:

Blue Ridge Bankshares, Inc.
Consolidated Statements of Operations
(unaudited)

| | For the three months ended | | For the six months ended | |
|---|----------------------------|---------------|--------------------------|---------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| <i>(Dollars in thousands, except per share data)</i> | | | | |
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$ 34,839 | \$ 23,787 | \$ 74,133 | \$ 47,686 |
| Interest on securities, deposit accounts, and federal funds sold | 4,134 | 2,456 | 7,893 | 4,359 |
| Total interest income | 38,973 | 26,243 | 82,026 | 52,045 |
| INTEREST EXPENSE | | | | |
| Interest on deposits | 14,624 | 1,541 | 25,955 | 3,097 |
| Interest on subordinated notes | 547 | 545 | 1,100 | 1,098 |
| Interest on FHLB and FRB borrowings | 3,399 | 67 | 7,209 | 92 |
| Total interest expense | 18,570 | 2,153 | 34,264 | 4,287 |
| Net interest income | 20,403 | 24,090 | 47,762 | 47,758 |
| Provision for credit losses - loans | 21,100 | 7,494 | 25,200 | 9,994 |
| Provision (benefit) for credit losses - unfunded commitments | (600) | — | (1,000) | — |
| Total provision for credit losses | 20,500 | 7,494 | 24,200 | 9,994 |
| Net interest (loss) income after provision for credit losses | (97) | 16,596 | 23,562 | 37,764 |

| | For the three months ended | | For the six months ended | |
|---|----------------------------|-----------------|--------------------------|------------------|
| | June 30, 2023 | June 30, 2022 | June 30, 2023 | June 30, 2022 |
| <i>(Dollars in thousands, except per share data)</i> | | | | |
| Weighted average common shares outstanding, basic | 18,850,625 | 18,766,542 | 18,853,553 | 18,769,384 |
| Effect of dilutive securities | — | 11,666 | — | 14,502 |
| Weighted average common shares outstanding, dilutive | 18,850,625 | 18,778,208 | 18,853,553 | 18,783,886 |
| Net (loss) income: | | | | |
| Net (loss) income from continuing operations | (19,464) | \$ 1,118 | \$ (17,860) | \$ 18,538 |
| Net income from discontinued operations | — | — | — | 337 |
| Net income from discontinued operations attributable to noncontrolling interest | — | — | — | (1) |
| Net (loss) income attributable to Blue Ridge Bankshares, Inc. | <u>\$ (19,464)</u> | <u>\$ 1,118</u> | <u>\$ (17,860)</u> | <u>\$ 18,874</u> |
| Basic and diluted (loss) earnings per share: | | | | |
| (Loss) earnings per share from continuing operations | \$ (1.03) | \$ 0.06 | \$ (0.95) | \$ 0.99 |
| (Loss) earnings per share from discontinued operations | — | — | — | 0.02 |
| (Loss) earnings per share attributable to Blue Ridge Bankshares, Inc. | <u>\$ (1.03)</u> | <u>\$ 0.06</u> | <u>\$ (0.95)</u> | <u>\$ 1.01</u> |

29. The statements contained in ¶¶ 17, 18, 20-22, 24-26, and 28 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company’s business, operations, and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Blue Ridge Bankshares, Inc.’s financial statements from March 10, 2023 to the present included certain errors; (2) as a result, Blue Ridge Bankshares would need to restate its previously filed financial statements from March 10, 2023 to October 31, 2023; and (3) as a result, Defendants’ statements about its business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all times.

THE TRUTH EMERGES

30. On October 31, 2023, after the market closed, Blue Ridge filed with the SEC a current report on Form 8-K announcing it would need to restate its consolidated financial statements for its 2022 Annual Report, and the first two quarters of 2023 (the “Restatement Announcement”).

31. The Restatement Announcement stated the following:

On October 30, 2023, management of Blue Ridge Bankshares, Inc. (the “Company”) and the Audit Committee of its Board of Directors, after consultation with the Company’s independent registered public accounting firm and its primary regulator, *determined that certain specialty finance loans that, as previously disclosed, were placed on nonaccrual,*

reserved for, or charged off in the interim periods ended March 31, 2023 and June 30, 2023 should have been reported as nonaccrual, reserved for, or charged off in earlier periods.

As a result, the Company's audited financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2022, and unaudited interim financial statements included in quarterly reports on Form 10-Q for the quarters ended March 31, 2023 and June 30, 2023 should no longer be relied upon and will be restated. The restated financial statements will be reflected in an amendment to the Company's annual report on Form 10-K for the year ended December 31, 2022, and amendments to the Company's quarterly reports on Form 10-Q for the interim periods ended March 31, 2023 and June 30, 2023. The Company expects to file these amendments to Form 10-K and Form 10-Q in the next several weeks.

Net Impact of Financial Restatements

The Company does not believe that the restatement reflects any significant financial impact on the Company's financial condition as of June 30, 2023 and September 30, 2023, or any trends in the Company's business or its prospects.

The effect of the adjustments will result in lower net income and earnings per share in the year ended December 31, 2022, and greater net income and earnings per share in the quarter period ended March 31, 2023, and lower net loss and losses per share for the quarter and six-month periods ended June 30, 2023. The cumulative impact on net income over these periods is expected to be an increase of \$2.6 million.

Balance sheets amounts, including loans held for investment, allowance for credit losses (previously, allowance for loan losses), accrued interest receivable, deferred tax asset, other assets, and stockholders' equity, are affected as of December 31, 2022 and March 31, 2023. The restatements are not expected to have any impact on total balance sheet amounts, including stockholders' equity, as of June 30, 2023. It is expected loans held for investment and allowance for credit losses will each be reduced in the amount of \$4.5 million as of June 30, 2023. The adjustment to the allowance for credit losses to implement the Current Expected Credit Losses (CECL) accounting standard as of January 1, 2023, will also be restated, thus affecting the cumulative effect adjustment to stockholders' equity as of January 1, 2023, and resulted in the positive adjustment to earnings in the six months ended June 30, 2023.

The following tables summarize the expected effects of the restatement on select statement of operations and balance sheet amounts as reported as of and for the periods stated and are unaudited, except for the as reported December 31, 2022 statement of operations and balance sheet:

| <i>Dollars in thousands, except per share data</i> | For the year ended December 31, 2022 | | |
|---|---|--------------------|--------------------|
| | | <i>Unaudited</i> | <i>Unaudited</i> |
| | As Reported | Adjustments | As Restated |
| Net interest income | \$ 110,391 | \$ (5,824) | \$ 104,567 |
| Provision for loan losses | 17,886 | 7,801 | 25,687 |
| Income (loss) from continuing operations before income tax expense | 35,821 | (13,625) | 22,196 |
| Income tax expense (benefit) | 8,244 | (3,045) | 5,199 |
| Net income from continuing operations | \$ 27,577 | \$ (10,580) | \$ 16,997 |
| Basic and diluted earnings (loss) per common share from continuing operations | \$ 1.46 | \$ (0.56) | \$ 0.90 |

| <i>Dollars in thousands</i> | As of December 31, 2022 | | |
|---|--------------------------------|--------------------|--------------------|
| | | <i>Unaudited</i> | <i>Unaudited</i> |
| | As Reported | Adjustments | As Restated |
| Loans held for investment, net of deferred fees and costs | \$ 2,399,092 | \$ — | \$ 2,399,092 |
| Allowance for loan losses | (22,939) | (7,801) | (30,740) |
| Accrued interest receivable | 12,393 | (824) | 11,569 |
| Deferred tax asset, net | 9,182 | 3,045 | 12,227 |
| Other assets | 19,175 | (5,000) | 14,175 |
| Total assets | \$ 3,141,045 | \$ (10,580) | \$ 3,130,465 |
| Total stockholders' equity | \$ 259,373 | \$ (10,580) | \$ 248,793 |

| <i>Dollars in thousands, except per share data (unaudited)</i> | For the three months ended March 31, 2023 | | |
|--|--|--------------------|--------------------|
| | | <i>Unaudited</i> | <i>Unaudited</i> |
| | As Reported | Adjustments | As Restated |
| Net interest income | \$ 27,359 | \$ (2,163) | \$ 25,196 |
| Provision (benefit) for credit losses - loans | 4,100 | (5,210) | (1,110) |
| Income from continuing operations before income tax expense | 2,095 | 3,047 | 5,142 |
| Income tax expense | 491 | 681 | 1,172 |
| Net income from continuing operations | \$ 1,604 | \$ 2,366 | \$ 3,970 |
| Basic and diluted earnings per common share from continuing operations | \$ 0.09 | \$ 0.13 | \$ 0.22 |

| | As of March 31, 2023 | | |
|---|-----------------------------|--------------------|---------------------|
| <i>Dollars in thousands (unaudited)</i> | As Reported | Adjustments | As Restated |
| Loans held for investment, net of deferred fees and costs | \$ 2,448,992 | \$ (4,197) | \$ 2,444,795 |
| Allowance for credit losses | (29,974) | (5,987) | (35,961) |
| Accrued interest receivable | 14,915 | (790) | 14,125 |
| Deferred tax asset, net | 9,605 | 3,123 | 12,728 |
| Other assets | 21,264 | (3,000) | 18,264 |
| Total assets | <u>\$ 3,334,911</u> | <u>\$ (10,851)</u> | <u>\$ 3,324,060</u> |
| Total stockholders' equity | <u>\$ 257,586</u> | <u>\$ (10,851)</u> | <u>\$ 246,735</u> |

| | For the three months ended June 30, 2023 | | |
|---|---|--------------------|--------------------|
| <i>Dollars in thousands, except per share data (unaudited)</i> | As Reported | Adjustments | As Restated |
| Net interest income | \$ 20,403 | \$ 3,487 | \$ 23,890 |
| Provision (benefit) for credit losses - loans | 21,100 | (10,487) | 10,613 |
| (Loss) income from continuing operations before income tax expense | (24,413) | 13,974 | (10,439) |
| Income tax (benefit) expense | (4,949) | 3,123 | (1,826) |
| Net (loss) income from continuing operations | <u>\$ (19,464)</u> | <u>\$ 10,851</u> | <u>\$ (8,613)</u> |
| Basic and diluted (loss) earnings per common share from continuing operations | <u>\$ (1.03)</u> | <u>\$ 0.58</u> | <u>\$ (0.45)</u> |

| | For the six months ended June 30, 2023 | | |
|---|---|--------------------|--------------------|
| <i>Dollars in thousands, except per share data (unaudited)</i> | As Reported | Adjustments | As Restated |
| Net interest income | \$ 47,762 | \$ 1,324 | \$ 49,086 |
| Provision (benefit) for credit losses - loans | 25,200 | (15,697) | 9,503 |
| (Loss) income from continuing operations before income tax expense | (22,318) | 17,021 | (5,297) |
| Income tax (benefit) expense | (4,458) | 3,804 | (654) |
| Net (loss) income from continuing operations | <u>\$ (17,860)</u> | <u>\$ 13,217</u> | <u>\$ (4,643)</u> |
| Basic and diluted (loss) earnings per common share from continuing operations | <u>\$ (0.95)</u> | <u>\$ 0.70</u> | <u>\$ (0.25)</u> |

| <i>Dollars in thousands (unaudited)</i> | As of June 30, 2023 | | |
|---|----------------------------|--------------------|---------------------|
| | As Reported | Adjustments | As Restated |
| Loans held for investment, net of deferred fees and costs | \$ 2,451,697 | \$ (4,500) | \$ 2,447,197 |
| Allowance for credit losses | (43,067) | 4,500 | (38,567) |
| Accrued interest receivable | 15,474 | — | 15,474 |
| Deferred tax asset, net | 11,051 | — | 11,051 |
| Other assets | 28,175 | — | 28,175 |
| Total assets | \$ 3,214,424 | \$ — | \$ 3,214,424 |
| Total stockholders' equity | \$ 231,271 | \$ — | \$ 231,271 |

Review of Internal Control over Financial Reporting

Management has evaluated the effect of the facts leading to the restatement of the financial statements for the periods ended December 31, 2022, March 31, 2023, and June 30, 2023, on its conclusion of the adequacy of internal controls over financial reporting and disclosure controls and procedures. *The Company has concluded that a material weakness existed in the timely risk grading, nonaccrual status, and, thus, in the determination of the adequacy of the allowance for credit losses for the specialty finance portfolio of loans, and such material weakness does not exist in the remainder of its loan portfolio.*

(Emphasis added).

32. On this news, the price of Blue Ridge stock fell \$1.06 per share, or 33.65%, to close at \$2.09 on November 1, 2023, on unusually heavy trading volume, damaging investors.

33. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common shares, Plaintiff and the other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

34. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired Blue Ridge securities publicly traded on the NYSE American during the Class Period, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, members of the Individual Defendants' immediate

families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

35. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, the Company's securities were actively traded on the NYSE American. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

36. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

37. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

38. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the Exchange Act was violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and financial condition of the Company;
- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

- whether the Defendants caused the Company to issue false and misleading filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false filings;
- whether the prices of the Company's securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

39. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

40. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- the Company's securities met the requirements for listing, and were listed and actively traded on the NYSE American, an efficient market;
- as a public issuer, the Company filed public reports;
- the Company communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

- the Company's securities were liquid and traded with moderate to heavy volume during the Class Period; and
- the Company was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

41. Based on the foregoing, the market for the Company securities promptly digested current information regarding the Company from all publicly available sources and reflected such information in the prices of the common units, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

42. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information as detailed above.

COUNT I
For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder
Against All Defendants

43. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

44. This Count asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

45. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to

disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

46. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of the Company's securities during the Class Period.

47. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of the Company, their control over, and/or receipt and/or modification of the Company's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning the Company, participated in the fraudulent scheme alleged herein.

48. Individual Defendants, who are or were senior executives and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class,

or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other Company's personnel to members of the investing public, including Plaintiff and the Class.

49. As a result of the foregoing, the market price of the Company's securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of the Company's securities during the Class Period in purchasing the Company's securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

50. Had Plaintiff and the other members of the Class been aware that the market price of the Company's securities had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information which Defendants did not disclose, they would not have purchased the Company's securities at the artificially inflated prices that they did, or at all.

51. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

52. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of the Company's securities during the Class Period.

COUNT II
Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants

53. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

54. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information about the Company's misstatement of revenue and profit and false financial statements.

55. As officers of a public business, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to the Company's financial condition and results of operations, and to correct promptly any public statements issued by the Company which had become materially false or misleading.

56. Because of their positions of control and authority as senior executives and/or directors, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which the Company disseminated in the marketplace during the Class Period concerning the Company's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause the Company to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of the Company within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Company securities.

57. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;

(c) awarding plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: December 5, 2023

THE ROSEN LAW FIRM, P.A.

/s/ Phillip Kim
Phillip Kim, Esq.
Laurence M. Rosen, Esq.
275 Madison Avenue, 40th Floor
New York, New York 10016
Telephone: (212) 686-1060
Fax: (212) 202-3827
Email: pkim@rosenlegal.com
Email: lrosen@rosenlegal.com

Counsel for Plaintiff