

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

Written Agreement by and among

Docket No. 11-085-WA/RB-HC

JCO VENTURES, LLC
JCO PARTNERS, L.P.
JCO PARTNERS II, L.P.
Union, South Carolina

HAO MANAGEMENT COMPANY, LLC
HAO PARTNERS, L.P.
HAO PARTNERS II, L.P.
Union, South Carolina

FOJ MANAGEMENT COMPANY, LLC
FOJ PARTNERS, L.P.
FOJ PARTNERS II, L.P.
Union, South Carolina

ARTHUR FINANCIAL CORPORATION
Union, South Carolina

and

FEDERAL RESERVE BANK OF
RICHMOND
Richmond, Virginia

WHEREAS, JCO Ventures, LLC, Union, South Carolina (“Ventures”) is a registered bank holding company that controls JCO Partners, L.P., Union, South Carolina (“JCO Partners”), a registered bank holding company, and JCO Partners II, L.P., Union, South Carolina (“JCO Partners II”), a registered bank holding company, that own and control Arthur Financial Corporation, Union, South Carolina (“Arthur”), a registered bank holding company that owns

and controls Arthur State Bank, Union, South Carolina (the “Bank”), a state chartered nonmember bank, and various nonbank subsidiaries;

WHEREAS, HAO Management Company, LLC, Union, South Carolina (“HAO Management”) is a registered bank holding company that controls HAO Partners, L.P., Union, South Carolina (“HAO Partners”), a registered bank holding company, and HAO Partners II, L.P., Union, South Carolina (“HAO Partners II”), a registered bank holding company, that own and control Arthur, the Bank, and various nonbank subsidiaries;

WHEREAS, FOJ Management Company, LLC, Union, South Carolina (“FOJ Management”), is a registered bank holding company that controls FOJ Partners, L.P., Union, South Carolina (“FOJ Partners”), a registered bank holding company, and FOJ Partners II, L.P., Union, South Carolina (“FOJ Partners II”), a registered bank holding company, that own and control Arthur, the Bank, and various nonbank subsidiaries;

WHEREAS, it is the common goal of Ventures, JCO Partners, JCO Partners II, HAO Management, HAO Partners, HAO Partners II, FOJ Management, FOJ Partners, FOJ Partners II, (collectively, “the Companies”), Arthur, and the Federal Reserve Bank of Richmond (the “Reserve Bank”) to maintain the financial soundness of Arthur so that Arthur may serve as a source of strength to the Bank;

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

WHEREAS, on August 28, 2011, the managing director of Ventures, and the managing partners of JCO Partners and JCO Partners II, at duly constituted meetings, adopted resolutions authorizing and directing J. Carlisle Oxner, III, to enter into this Agreement on behalf of Ventures, JCO Partners, and JCO Partners II, and consenting to compliance with each and every

applicable provision of this Agreement by Ventures, JCO Partners, and JCO Partners II, and their respective 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));

WHEREAS, on August 28, 2011, the managing director of HAO Management, and the managing partners of HAO Partners and HAO Partners II, at duly constituted meetings, adopted resolutions authorizing and directing Harry A. Oxner to enter into this Agreement on behalf of HAO Management, HAO Partners, and HAO Partners II, and consenting to compliance with each and every applicable provision of this Agreement by HAO Management, HAO Partners, and HAO Partners II, and their respective institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3));

WHEREAS, on August 28, 2011, the managing director of FOJ Management, and the managing partners of FOJ Partners and FOJ Partners II, at duly constituted meetings, adopted resolutions authorizing and directing Frances O. Kendrick to enter into this agreement on behalf of FOJ Management, FOJ Partners, and FOJ Partners II, and consenting to compliance with each and every applicable provision of this Agreement by FOJ Management, FOJ Partners, and FOJ Partners II, and their respective institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)); and

WHEREAS, on July 18, 2011, the board of directors of Arthur, at a duly constituted meeting, adopted a resolution authorizing and directing J. Carlisle Oxner, Jr., to enter into this Agreement on behalf of Arthur, and consenting to compliance with each and every applicable provision of this Agreement by Arthur, and its respective institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Ventures, JCO Partners, JCO Partners II, HAO Management, HAO Partners, HAO Partners II, FOJ Management, FOJ Partners, FOJ Partners II, Arthur, and the Reserve Bank agree as follows:

Source of Strength

1. The managing directors and managing partners of the Companies, and the board of directors of Arthur shall take appropriate steps to fully utilize the Companies' and Arthur'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 issued by the Federal Deposit Insurance Corporation (the "FDIC") on March 30, 2011, and any other supervisory action taken by the Bank's federal or state regulators.

Dividends, Distributions, and Other Payments

2. (a) Arthur shall not declare or pay any dividends and Arthur and the Companies shall not make any other distributions 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) Arthur and the Companies 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) Arthur, the Companies, and any nonbank subsidiaries 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) Arthur and the Companies shall not make any payments to the Companies, without the prior written approval of the Reserve Bank.

(e) 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, required notice of deferral on trust preferred securities, or other proposed distribution or payment. All requests shall contain, at a minimum, current and projected information, as applicable, on the Companies', or Arthur'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 or distribution. For requests to declare or pay dividends, Arthur 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).

Capital Plan

3. Within 60 days of this Agreement, Arthur shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at Arthur on a consolidated basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the applicable capital adequacy guidelines for the Bank issued by the Bank's federal regulator;

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, its risk profile, the adequacy of the allowance for loan and lease losses, current and projected asset growth, and projected earnings;

(c) the source and timing of additional funds necessary to fulfill the consolidated organization's and the Bank's future capital requirements;

(d) supervisory requests for additional capital at the Bank or the requirements of any supervisory action imposed on the Bank by its federal or state regulator; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors that Arthur serve as a source of strength to the Bank.

4. Arthur shall notify the Reserve Bank, in writing, no more than 30 days after the end of any quarter in which any of Arthur's capital ratios fall below the approved plan's minimum ratios. Together with the notification, Arthur shall submit an acceptable written plan that details the steps that Arthur will take to increase Arthur's capital ratios to or above the approved plan's minimums.

Affiliate Transactions

5. (a) Arthur shall take all necessary action to ensure that the Bank complies with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) and Regulation W of the Board of Governors (12 C.F.R. Part 223) in all transactions between the Bank and its affiliates, including, but not limited to, Arthur, and its nonbank subsidiaries, and the Companies.

(b) Arthur shall not cause the Bank to violate any provision of sections 23A and 23B of the Federal Reserve Act or Regulation W of the Board of Governors.

Cash Flow Projections

6. Within 60 days of this Agreement, Arthur shall submit to the Reserve Bank a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes (“Cash Flow Projection”) for the remainder of 2011. Arthur shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2011 at least one month prior to the beginning of that calendar year.

Debt and Stock Redemption

7. (a) Arthur, the Companies, and any nonbank subsidiary 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, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Arthur and the Companies 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

8. (a) In appointing any new director for Arthur or senior executive officer for Arthur and the Companies, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Arthur and the Companies 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) Arthur 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

9. Within 30 days after the end of each calendar quarter following the date of this Agreement, Arthur 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

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

- (a) Ms. Joan T. Garton
Vice President
Federal Reserve Bank of Richmond
P.O. Box 27622
Richmond, Virginia 23261-7622
- (b) Mr. J. Carlisle Oxner, III
President and Chief Executive Officer
Arthur Financial Corporation
P.O. Box 769
Union, South Carolina 29389-0769
- (c) Mr. J. Carlisle Oxner, III
Chief Executive Officer
JCO Ventures, LLC
JCO Partners, L.P.
JCO Partners II, L.P.
P.O. Box 769
Union, South Carolina 29389

- (d) Mr. Harry A. Oxner
Chief Executive Officer
HAO Management Company, LLC
HAO Partners, L.P.
HAO Partners II, L.P.
P.O. Box 481
Georgetown, South Carolina 29442-0481

- (e) Ms. Frances O. Kendrick
Chief Executive Officer
FOJ Management Company, LLC
FOJ Partners, L.P.
FOJ Partners II, L.P.
P.O. Box 769
Union, South Carolina 29389

Miscellaneous

11. The provisions of this Agreement shall be binding upon the Companies, Arthur, and their respective institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

13. 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 the Companies, Arthur, the Bank, any nonbank subsidiary of Arthur, or any of their respective current or former institution-affiliated parties and their successors and assigns.

14. 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 31st day of August, 2011.

JCO VENTURES, LLC

FEDERAL RESERVE BANK OF
RICHMOND

By: /s/ J. Carlisle Oxner, III
J. Carlisle Oxner, III
Chief Executive Officer

By: /s/ Joan T. Garton
Joan T. Garton
Vice President

JCO PARTNERS, L.P.

By: /s/ J. Carlisle Oxner, III
J. Carlisle Oxner, III
Chief Executive Officer of
JCO Ventures, LLC, its General Partner

JCO PARTNERS II, L.P.

By: /s/ J. Carlisle Oxner, III
J. Carlisle Oxner, III
Chief Executive Officer of
JCO Ventures, LLC, its General Partner

HAO MANAGEMENT COMPANY, LLC

By: /s/ Harry A. Oxner
Harry A. Oxner
Chief Executive Officer

HAO PARTNERS, L.P.

By: /s/ Harry A. Oxner
Harry A. Oxner
Chief Executive Officer of
HAO Management Company, LLC,
its General Partner

HAO PARTNERS II, L.P.

By: /s/ Harry A. Oxner
Harry A. Oxner
Chief Executive Officer of
HAO Management Company, LLC,
its General Partner

FOJ MANAGEMENT COMPANY, LLC

By: /s/ Frances O. Kendrick
Frances O. Kendrick
Chief Executive Officer of
FOJ Management Company, LLC
its General Partner

FOJ PARTNERS, L.P.

By: /s/ Frances O. Kendrick
Frances O. Kendrick
Chief Executive Officer of
FOJ Management Company, LLC
its General Partner

FOJ PARTNERS II, L.P.

By: /s/ Frances O. Kendrick
Frances O. Kendrick
Chief Executive Officer of
FOJ Management Company, LLC
its General Partner

ARTHUR FINANCIAL CORPORATION

By: /s/ J. Carlisle Oxner, Jr.
J. Carlisle Oxner, Jr.
Chairman