

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 9th day of November, 1992 ("Effective Date"), by and between Abbeville Savings and Loan Association, Abbeville, South Carolina, OTS No. 5642, for itself and its wholly owned service corporations and subsidiaries ("Abbeville" or "Institution") and the Office of Thrift Supervision ("OTS"), acting through its Southeast Regional Director or his designee ("Regional Director").

WHEREAS, the OTS is of the opinion that the grounds exist to initiate administrative proceedings against Abbeville pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.A. Sc 1818(b) (West 1989 & Supp. 1992); and

WHEREAS, Abbeville, in the interest of regulatory compliance and cooperation, and without admitting or denying that such grounds exist, is willing to enter into this Agreement to avoid the initiation of such administrative proceedings on the matters covered by this Agreement; and

WHEREAS, the OTS is willing to forebear from the initiation of such administrative proceedings against Abbeville to require the actions specifically covered by this Agreement for so long as the Institution is in compliance with the provisions of this 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 on matters not specifically covered by this Agreement that 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:

1. The Institution shall immediately revise, adopt, implement, and henceforth strictly adhere to prudent written policies and procedures for the underwriting and documentation of consumer and commercial loans.

a. Such policies and procedures shall correct each underwriting and documentation deficiency noted on pages 4-6 of the July 27, 1992, OTS Report of Examination ("Examination"), and address compliance with all applicable statutory and regulatory provisions, including but not limited to 12 C.F.R. Sc563.170 (1992).

b. Such policies and procedures shall require that the Institution perform appropriate and proper loan underwriting and maintain documentation necessary to facilitate and document safe and prudent lending decisions, and that no consumer or commercial loan shall be granted without documentation supporting the loan decision process that has been analyzed by personnel of the Institution.

c. Such documentation shall be maintained in each borrower's credit file, in good order, and shall include a certification, signed by the responsible loan officer, stating that every requirement of its applicable consumer/commercial loan underwriting policies and procedures has been complied with in a satisfactory manner.

2. The revised consumer and commercial loan underwriting policies and procedures also shall:

a. specifically provide a reasonable maximum term for all nonamortizing single payment loans, which term shall be submitted to the Regional Director for review;

b. require that prior to renewal or modification of any consumer or commercial loan, the Institution use its best efforts, and document those efforts, to:

(1) have the loan repaid or obtain a material curtailment of such loan (a material curtailment is a minimum of 10% of the outstanding principal balance plus payment of all accrued interest); or

(2) with regard to single payment loans, convert the loan to a fully amortizing loan requiring monthly payments of principal and interest; and,

c. ensure that all loan files subject to this provision contain documentation reflecting any modifications to the loans.

3. Within thirty (30) days after the Effective Date of this Agreement, the Institution shall provide the Regional Director with a certified Board resolution attesting that the Institution's consumer and commercial loan underwriting policies and procedures have been revised, adopted and implemented in accordance with Paragraphs 1 and 2 of this Agreement.

4. Within sixty (60) days after the Effective Date of this Agreement, the Board shall establish an independent Internal Loan Review Committee ("Committee"), which shall regularly review a representative sample of consumer and commercial loan files for compliance with the revised underwriting policies and procedures adopted and implemented in accordance with Paragraphs 1 and 2 of this Agreement and all applicable regulatory requirements. Such Committee shall submit a written report of its findings to the Board at a regularly scheduled Board meeting once each quarter, with such report to be included in the Board minutes. The Institution may comply with this provision by employing an independent third party (such as the Institution's auditor) to perform such a review.

5. The Board shall continue to review the Business Plan adopted pursuant to the Memorandum of Undertaking dated November 5, 1991, on a quarterly basis, at a minimum, to compare actual types and levels of activities, and actual quarterly financial results, with the projections contained in the Plan. The Board's review and related discussion, and management's explanation of major budget variances and their resolution, shall be incorporated in the Board meeting minutes.

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 statutes, regulations, bulletins, memoranda, and publications shall include any successor statutes, regulations, bulletins, memoranda, and publications.

Abbeville Savings and Loan Association
Abbeville, South Carolina (OTS No. 5642)
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This Agreement has been duly authorized, executed and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. 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 FDIA, 12 U.S.C.A. Sc 1818(b)(1).

Any time limitations imposed herein shall begin to run from the Effective Date hereof, except as otherwise specifically stated in this Agreement. Such time limitations may be extended by the Regional Director, in his sole discretion, for good cause shown upon written application.

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 Regional Director. The Regional Director may suspend, in his sole discretion, any or all provisions of this Agreement.

IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Institution, by its duly elected directors, have executed this Agreement.

Abbeville Savings and Loan Association.
Abbeville, South Carolina
OTS No. 05642

By: 151 Date: 11-9-92
Director *U A A A*

By: 151 Date: 11-9-92
Director *1 1 1*

By: 151 Date: 11-9-92
Director *1 1 1*

By: 151 Date: 11-9-92
Director *1 1 1*

By: 151 Date: 11/9/92
Director *1 1 1*

By: 151 Date: 11-9-92
Director *1 1 1*

By: 151 Date: 11-9-92
Director *1 1 1*

OFFICE OF THRIFT SUPERVISION

By: 151
John E. Ryan
Regional Director