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MAR 29 2017

FR Y-6  
OMB Number 7100-0297  
Approval expires September 30, 2018  
Page 1 of 2

Board of Governors of the Federal Reserve System

FRB RICHMOND



# Annual Report of Holding Companies—FR Y-6

## Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

**NOTE:** The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, J. Carlisle Oxner, III

Name of the Holding Company Director and Official

Director

Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

*With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.*

*J. Carlisle Oxner III*

Signature of Holding Company Director and Official

3-16-17

Date of Signature

For holding companies not registered with the SEC—  
Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD ID 3136982  
C.I. \_\_\_\_\_

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2016

Month / Day / Year

na

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

JCO Ventures LLC

Legal Title of Holding Company

PO Box 769

(Mailing Address of the Holding Company) Street / P.O. Box

Union SC 29379  
City State Zip Code

100 East Main Street

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

J. Carlisle Oxner, III CEO

Name Title

864-427-1213

Area Code / Phone Number / Extension

864-466-4610

Area Code / FAX Number

coxner@arthurstatebank.com

E-mail Address

na

Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission?  0=No  1=Yes

In accordance with the General Instructions for this report (check only one),

- 1. a letter justifying this request is being provided along with the report
- 2. a letter justifying this request has been provided separately

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

## For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

JCO Partners LP  
Legal Title of Subsidiary Holding Company

PO Box 769  
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

Union SC 29379  
City State Zip Code

100 East Main Street  
Physical Location (if different from mailing address)

JCO Partners II LP  
Legal Title of Subsidiary Holding Company

PO Box 769  
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

Union SC 29379  
City State Zip Code

100 East Main Street  
Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

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City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

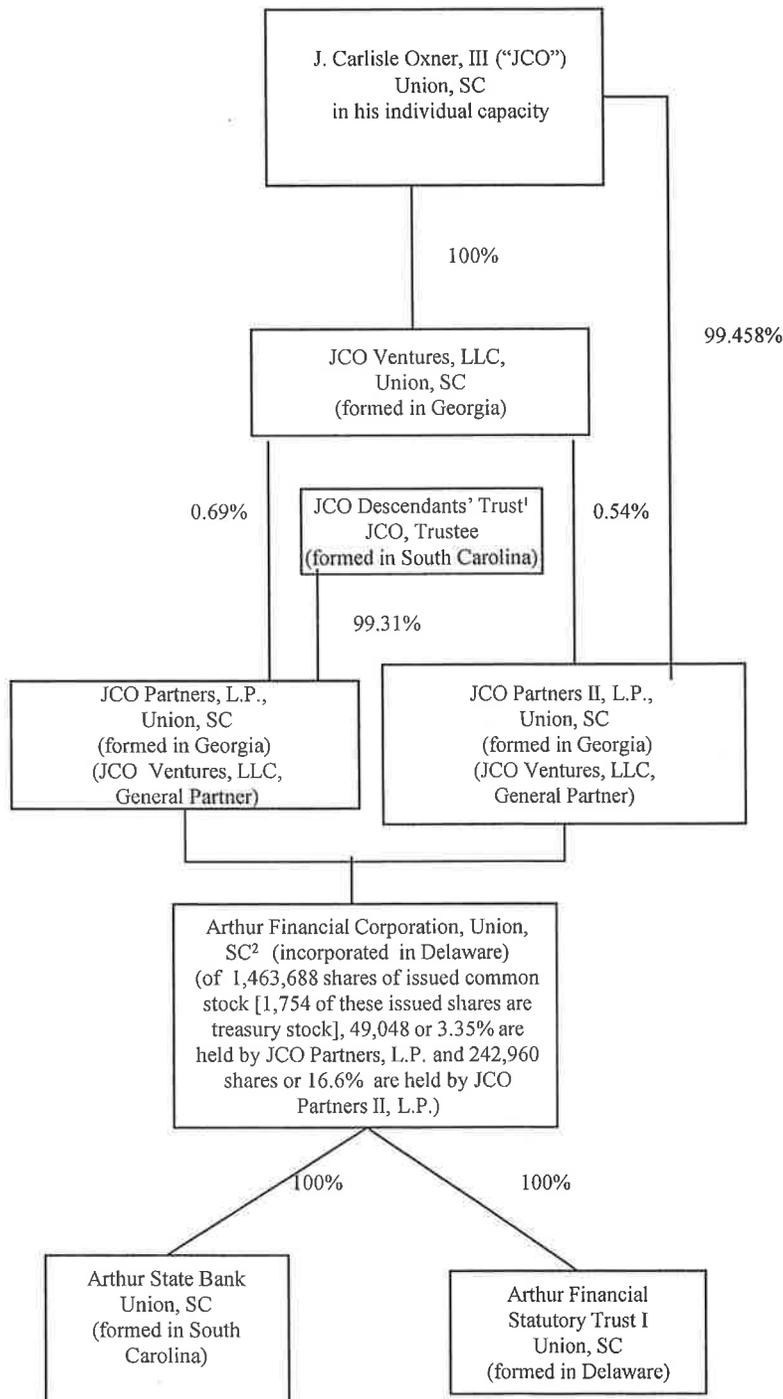
Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

# JCO Ventures, LLC



<sup>1</sup>/ This trust is not a bank holding company

<sup>2</sup>/ This company files a separate Form Y-6.

<sup>3</sup>/ No entities have an LEI.

**Form FR Y-6**  
**JCO Ventures, LLC**  
**JCO Partners, L.P.**  
**JCO Partners, II, L.P.**

**SHAREHOLDERS**

JCO Ventures, LLC Shareholders: As a limited liability company established under Georgia law, JCO Ventures, LLC (“JCO Ventures”) does not issue shares. J. Carlisle Oxner III, Union, S.C., holds 100% of the limited liability company interest in JCO Ventures. Mr. Oxner is a United States citizen. There are no outstanding options, warrants or other securities or rights that can be converted into or exercised for interests in JCO Ventures.

JCO Partners, L.P.: JCO Partners, L.P. (“JCO I”), Union, South Carolina, is a limited partnership established under the law of the State of Georgia which does not issue shares. JCO Descendants’ Trust, a trust established under the law of the State of South Carolina, holds 99.31% of the limited partnership interest in JCO I. Mr. Oxner is the sole trustee of the JCO Descendants’ Trust. The JCO Descendants’ Trust is not a bank holding company because it is exempt from the definition of the term “company” under 12 U.S.C. Section 1841(b) and 12 C.F.R. Section 225.2(d)(3). There are no outstanding options, warrants or other securities or rights that can be converted into or exercised for interests in JCO I. The Bancshares Companies file separate annual reports on Form FR Y-6.

JCO Partners II, L.P.: JCO Partners II, L.P. (“JCO II”), Union, South Carolina, is a limited partnership established under the law of the State of Georgia which does not issue shares. Mr. Oxner, in his individual capacity, holds 99.458% of the limited partnership interest in JCO II. There are no outstanding options, warrants or other securities or rights that can be converted into or exercised for interests in JCO II.

## **DIRECTORS AND OFFICERS**

### **NAMES AND ADDRESS:**

JCO Ventures: J. Carlisle Oxner III, Union, S.C., is the sole officer and director of JCO Ventures.

JCO I: JCO I has no directors or officers. Its general manager is JCO Ventures, Union, S.C.

JCO II: JCO II has no directors or officers. Its general manager is JCO Ventures, Union, S.C.

### **PRINCIPAL OCCUPATION:**

JCO Ventures: Mr. Oxner's principal occupation is director, President and CEO, Arthur State Bank, Union, S.C., and director and President, Arthur Financial Corporation. He also serves as director and officer of Arthur State Company, a subsidiary of Arthur Financial Corporation.

JCO I and JCO II: Item 4(2) is not applicable to JCO Ventures, the general manager of JCO I and JCO II.

## **TITLE OR POSITION**

JCO Ventures: Mr. Oxner is also the sole director and officer of JCO Ventures.

Regarding other positions he holds, see the information above concerning his principal occupation. Mr. Oxner is the sole trustee of the JCO Descendants' Trust.

JCO I and JCO II: Item 4(3) is not applicable to JCO Ventures, the general partner of JCO I and JCO II.

**PERCENTAGE OF EACH CLASS OF VOTING SECURITIES OWNED,  
CONTROLLED OR HELD**

JCO Ventures: Mr. Oxner owns 100% of the limited liability company interest in JCO Ventures, and 99.458% of the limited partnership interest in JCO II.

JCO I and JCO II: JCO I and JCO II do not have directors or officers.

**ORGANIZATION CHART**

See attached

COPY

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

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Date of Report (top-tier holding company's fiscal year-end):

December 31, 2016

Month / Day / Year

N/A

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Arthur Financial Corporation

Legal Title of Holding Company

P O Box 769

(Mailing Address of the Holding Company) Street / P.O. Box

Union SC 29379

City State Zip Code

100 East Main Street

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Daniel O. Cook, Jr. EVP & CFO, COO

Name Title

864-466-4504

Area Code / Phone Number / Extension

864-466-4557

Area Code / FAX Number

dcook@arthurstatebank.com

E-mail Address

www.arthurstatebank.com

Address (URL) for the Holding Company's web page

I, Daniel O. Cook, Jr.

Name of the Holding Company Director and Official

EVP & CFO, COO

Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Daniel O. Cook, Jr.

Signature of Holding Company Director and Official

03/28/2017

Date of Signature

For holding companies not registered with the SEC--

Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD ID

C.I.

Is confidential treatment requested for any portion of this report submission?..... 0=No 1=Yes 0

In accordance with the General Instructions for this report (check only one),

- 1. a letter justifying this request is being provided along with the report .....
- 2. a letter justifying this request has been provided separately.....

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

**FORM FR Y-6**

**ARTHUR FINANCIAL CORPORATION  
UNION, SOUTH CAROLINA**

**YEAR ENDING DECEMBER 31, 2016**

**REPORT ITEM:**

- 1: a. ARTHUR FINANCIAL CORPORATION IS NOT REQUIRED TO PREPARE FORM 10K WITH THE SEC.
  
- 1: b. ENCLOSED IS A COPY OF THE ANNUAL REPORT PREPARED FOR STOCKHOLDERS.
  
2. ORGANIZATIONAL CHART

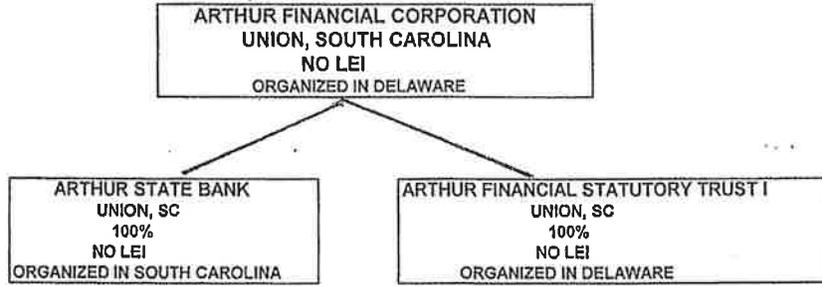
HOLDING COMPANY: ARTHUR FINANCIAL CORPORATION

SUBSIDIARIES OF HOLDING COMPANY:

ARTHUR STATE BANK  
ARTHUR FINANCIAL STATUTORY TRUST I

ARTHUR FINANCIAL CORPORATION OWNS:

100% OF ARTHUR STATE BANK  
100% OF ARTHUR FINANCIAL STATUTORY TRUST I



29. SEPARATE BRANCH LISTING ATTACHED

Results: A list of branches for your depository institution: ARTHUR STATE BANK (ID\_RSSD: 591320).  
 This depository institution is held by ARTHUR FINANCIAL CORPORATION (3196581) of UNION, SC.  
 The data are as of 12/31/2016. Data reflects information that was received and processed through 01/10/2017.

**Reconciliation and Verification Steps**

1. In the Data Action column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the Effective Date column

**Actions**

OK: If the branch information is correct, enter 'OK' in the Data Action column.  
 Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when this information first became valid in the Effective Date column.  
 Close: If a branch listed was sold or closed, enter 'Close' in the Data Action column and the sale or closure date in the Effective Date column.  
 Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.  
 Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

**Submission Procedure**

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.  
 If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

**Note:**

To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add.  
 The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://y10online.federalreserve.gov>.

\* FDIC UNINUM, Office Number, and ID\_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
OK		Full Service (Head Office)	591320	ARTHUR STATE BANK	100 EAST MAIN STREET	UNION	SC	29379	UNION	UNITED STATES	9463	0	ARTHUR STATE BANK	591320	
OK		Full Service	2637464	CLINTON OFFICE	205 JACOB'S HWY	CLINTON	SC	29925	LAURENS	UNITED STATES	221570	9	ARTHUR STATE BANK	591320	
OK		Full Service	3355523	BELTLINE BOULEVARD BRANCH	2140 BELTLINE BOULEVARD	COLUMBIA	SC	29209	RICHLAND	UNITED STATES	443424	18	ARTHUR STATE BANK	591320	
OK		Full Service	3649866	CLEMSON ROAD BRANCH	121 SPARKLEBERRY CROSSING	COLUMBIA	SC	29229	RICHLAND	UNITED STATES	450824	19	ARTHUR STATE BANK	591320	
OK		Full Service	3649875	GERVAIS STREET BRANCH	1700 GERVAIS STREET	COLUMBIA	SC	29201	RICHLAND	UNITED STATES	453122	21	ARTHUR STATE BANK	591320	
OK		Full Service	3178198	GREENVILLE BRANCH	1410 N PLEASANTBURG DR	GREENVILLE	SC	29607	GREENVILLE	UNITED STATES	366339	7	ARTHUR STATE BANK	591320	
OK		Full Service	3220359	GREENVILLE BRANCH AUGUSTA ROAD	1925 AUGUSTA ROAD	GREENVILLE	SC	29605	GREENVILLE	UNITED STATES	423123	14	ARTHUR STATE BANK	591320	
OK		Full Service	3923865	LEXINGTON BRANCH	5051 SUNSET BOULEVARD	LEXINGTON	SC	29072	LEXINGTON	UNITED STATES	471482	24	ARTHUR STATE BANK	591320	
OK		Full Service	3284762	ROCK HILL BRANCH	201 SOUTH HERLONG AVE	ROCK HILL	SC	29732	YORK	UNITED STATES	425799	15	ARTHUR STATE BANK	591320	
OK		Full Service	2638395	ROEBUCK BRANCH	4285 SOUTH CHURCH ST EXTENSION	ROEBUCK	SC	29376	SPARTANBURG	UNITED STATES	23089a	13	ARTHUR STATE BANK	591320	
OK		Full Service	2481171	EAST MAIN STREET BRANCH	756 EAST MAIN STREET	SPARTANBURG	SC	29502	SPARTANBURG	UNITED STATES	233180	5	ARTHUR STATE BANK	591320	
OK		Full Service	2824974	GREENVILLE HIGHWAY BRANCH	8770 WARREN H ABERNATHY HWY	SPARTANBURG	SC	29301	SPARTANBURG	UNITED STATES	233181	6	ARTHUR STATE BANK	591320	
OK		Full Service	726421	MONARCH BRANCH	1412 LOCKHART HIGHWAY	UNION	SC	29379	UNION	UNITED STATES	233176	1	ARTHUR STATE BANK	591320	
OK		Full Service	3220368	PLAZA BRANCH	1228 SOUTH DUNCAN BYPASS	UNION	SC	29379	UNION	UNITED STATES	233178	3	ARTHUR STATE BANK	591320	
OK		Full Service	111635	WEST TOWNE PLAZA BRANCH	501 NORTH DUNCAN BYPASS	UNION	SC	29379	UNION	UNITED STATES	233179	4	ARTHUR STATE BANK	591320	
OK		Full Service	730325	LAURENS ROAD BRANCH	731 LAURENS ROAD	WOODRUFF	SC	29388	SPARTANBURG	UNITED STATES	230897	12	ARTHUR STATE BANK	591320	
OK		Full Service	115829	NORTH MAIN STREET BRANCH	595 NORTH MAIN ST	WOODRUFF	SC	29388	SPARTANBURG	UNITED STATES	230896	11	ARTHUR STATE BANK	591320	
OK		Full Service	596026	SOUTH MAIN STREET BRANCH	131 SOUTH MAIN STREET	WOODRUFF	SC	29388	SPARTANBURG	UNITED STATES	8792	10	ARTHUR STATE BANK	591320	

FORM FR Y-6

ARTHUR FINANCIAL CORPORATION

FISCAL YEAR ENDING DECEMBER 31, 2016

REPORT ITEM 3: SECURITIES HOLDERS

(1) (A, B, C) AND (2) (A, B, C)

CURRENT SECURITIES HOLDERS WITH OWNERSHIP, CONTROL OR HOLDINGS OF 5% OR MORE WITH POWER TO VOTE AS OF FISCAL YEAR ENDING December 31, 2016

SECURITIES HOLDERS NOT LISTED IN 3(1)(A) THROUGH 3(1)(C) THAT HAD OWNERSHIP OR HOLDINGS OF 5% OR MORE WITH POWER TO VOTE DURING THE FISCAL YEAR ENDING 12-31-2016

(1)(A) NAME CITY, STATE, COUNTRY	(1)(B) COUNTRY OF CITIZENSHIP	(1)(C) NUMBER & PERCENTAGE OF EACH CLASS OF VOTING	(2)(A) NAME CITY, STATE, COUNTRY	(2)(B) COUNTRY OF CITIZENSHIP	(2)(C) NUMBER & PERCENTAGE OF EACH CLASS OF VOTING
J CARLISLE OXNER, III UNION, SC	USA	41,922 - 2.868% COMMON			
JCO PARTNERS II, LP UNION, SC	USA	242,960 - 16.619% COMMON			
JCO PARTNERS, LP UNION, SC	USA	49,048 - 3.355% COMMON			
HARRY A. OXNER GEORGETOWN, SC	USA	42,637 - 2.916% COMMON			
HAO PARTNERS II, LP GEORGETOWN, SC	USA	228,440 - 15.626% COMMON			
HAO PARTNERS, LP GEORGETOWN, SC	USA	46,162 - 3.158% COMMON			
FOJ PARTNERS II, LP COLUMBIA, SC	USA	196,876 - 13.467% COMMON			
FOJ PARTNERS, LP COLUMBIA, SC	USA	49,108 - 3.359% COMMON			
			NONE		

## FORM FR Y - 6

## ARTHUR FINANCIAL CORPORATION

FISCAL YEAR ENDING DECEMBER 31, 2016

REPORT ITEM 4: INSIDERS  
(1) (2) (3)(A,B,C) AND (4) (A,B,C)

(1) NAMES, CITY STATE, COUNTRY	(2) PRINCIPAL OCCUPATION	(3)A TITLE & POSITION WITH BHC	(3)B TITLE & POSITION WITH SUBSIDIARY	(3)C TITLE & POSITION WITH OTHER BUSINESS	(4)A % OF VOTING SHARES -BHC	(4)B % OF VOTING SHARES-SUBSIDIARIES	(4)C OTHER COMPANIES IF 25% OR MORE
J CARLISLE OXNER, JR COLUMBIA, SC USA	ATTORNEY	DIRECTOR AND CHAIRMAN	DIRECTOR & CHAIRMAN	OWNER - OXNER & OXNER LAW FIRM	0.76%	NONE	NONE
J CARLISLE OXNER, III UNION, SC USA	N/A	DIRECTOR AND PRESIDENT & CEO	DIRECTOR AND PRESIDENT & CEO	N/A	2.87%	NONE	NONE
HARRY A OXNER GEORGETOWN, SC USA	ATTORNEY	DIRECTOR AND BOARD SECRETARY	DIRECTOR AND BOARD SECRETARY	PARTNER - OXNER & STACY LAW FIRM	2.92%	NONE	NONE
DANIEL O. COOK, JR. CLINTON, SC USA	N/A	DIRECTOR AND EVP & CFO, COO	DIRECTOR AND EVP & CFO, COO	N/A	0.003%	NONE	NONE
WILLIAM DOGAN WILSON CAMPOBELLO, SC USA	RETIRED - TEXTILES	DIRECTOR	DIRECTOR	N/A	0.004%	NONE	NONE
JUSTIN A CONVERSE SPARTANBURG, SC USA	MINERALS HANDLING COAL BROKERAGE	DIRECTOR	DIRECTOR	OWNER & PRESIDENT CONVERSE & COMPANY, INC	0.13%	NONE	100% CONVERSE & CO
JCO PARTNERS II, LP UNION, SC USA	LIMITED PARTNERSHIP (TO HOLD INDIVIDUAL BANK HOLDING COMPANY STOCK)		STOCKHOLDER	N/A	16.619%	NONE	NONE
HAO PARTNERS II, LP GEORGETOWN, SC USA	LIMITED PARTNERSHIP (TO HOLD INDIVIDUAL BANK HOLDING COMPANY STOCK)		STOCKHOLDER	N/A	15.626%	NONE	NONE
FOJ PARTNERS II, LP COLUMBIA, SC USA	LIMITED PARTNERSHIP (TO HOLD INDIVIDUAL BANK HOLDING COMPANY STOCK)		STOCKHOLDER	N/A	13.467%	NONE	NONE

 **ARTHUR STATE BANK****MANAGEMENT'S REPORT****March 28, 2017****FINANCIAL STATEMENTS**

Management of Arthur State Bank (a wholly owned subsidiary of Arthur Financial Corporation) is responsible for the preparation, integrity, and fair presentation of its published financial statements as of December 31, 2015, and for the year then ended, which are included in the December 31, 2015, consolidated financial statements of Arthur Financial Corporation. The consolidated financial statements of Arthur Financial Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America and, as such, include some amounts that are based on judgments and estimates of management.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

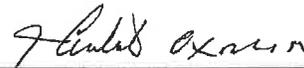
Management of Arthur State Bank is responsible for establishing and maintaining effective internal control over financial reporting presented in conformity with accounting principles generally accepted in the United States of America and presented in conformity with such accounting principles and the Federal Financial Institutions Examination Council instructions for Reports of Condition and Income (call report instructions). The system contains monitoring mechanisms and actions are taken to correct deficiencies identified.

There are inherent limitations in the effectiveness of any internal control including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

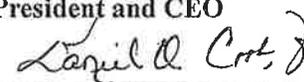
**COMPLIANCE WITH LAWS AND REGULATIONS**

Management is responsible for compliance with the federal and state laws and regulations concerning dividend restrictions and federal laws and regulations concerning loans to insiders designated by the FDIC as safety and soundness laws and regulations.

Management assessed compliance by Arthur State Bank for 2015 with the designated laws and regulations relating to safety and soundness. Based on this assessment by management, Arthur State Bank has complied with the designated safety and soundness laws and regulations.

**Arthur State Bank**

---

**J. Carlisle Oxner, III**  
**President and CEO**

---

**Daniel O. Cook, Jr.**  
**Executive Vice President, CFO, and COO**

 **ARTHUR FINANCIAL CORPORATION**

March 21, 2017

Elliott Davis Decosimo, LLC  
1901 Main Street, Suite 900  
Columbia, South Carolina 29202

This representation letter is provided in connection with your audits of the consolidated financial statements of **Arthur Financial Corporation** and subsidiary, **Arthur State Bank**, (collectively "the Company") which comprise the balance sheets as of December 31, 2016 and 2015 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows and the related notes to the financial statements for the years ended December 31, 2016 and 2015, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm to the best of our knowledge and belief, as of March 21, 2017, the following representations made to you during your audit:

***Financial Statements***

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated July 31, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The methods and significant assumptions used to determine fair values of financial instruments result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
9. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

10. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the consolidated financial statements:
  - a. The extent, nature and terms of financial instruments with off-balance-sheet risk.
  - b. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments.
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
11. We have evaluated all of our debt securities for which there has been a decline in fair value below the amortized cost. In that regard:
  - a. We do not have the intent to sell any of the securities that are in an unrealized loss position.
  - b. We have forecasted recovery of these debt securities and our liquidity and have concluded that it is not more likely than not that we will have to sell the securities prior to forecasted recovery.
  - c. We have evaluated these debt securities to determine whether we expect to recover the amortized cost basis of the securities. We have concluded in all cases that we will recover the amortized cost basis of the securities and have recorded the entire unrealized loss in other comprehensive income.
  - d. Any sales of securities in a loss position are immaterial to the financial statement and the sale resulted from an overall portfolio evaluation and not as a result of the loss on the security.
12. We have no knowledge of any uncorrected misstatements in the financial statements.

***Information Provided***

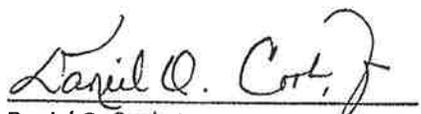
13. We have made available to you:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - e. Reports and correspondence between the Bank and regulatory examiners during the period under audit and all supervisory memoranda or agreements, if any, with any federal or state regulatory authority.
14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

- a. Management.

- b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
  18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
  19. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing financial statements and we have not consulted legal counsel concerning litigation or claims.
  20. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
  21. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize, and report financial data.
  22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
  23. We agree with the findings of the firm's valuation specialists group in evaluating the valuation of investments and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give, or cause any instructions to be given, to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
  24. We agree with the findings of the appraisers in evaluating the valuation of other real estate owned and impaired loans and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give, or cause any instructions to be given, to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
  25. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

**Arthur Financial Corporation**

  
J. Carlisle O'Neil, III  
President and Chief Executive Officer

  
Daniel O. Cook, Jr.  
Executive Vice President and Chief Operating Officer