This Board Report that the top-tier holding company does not have an individual Reserve Holding sign the a senior official and also be a senior one director. NOTE: The authorized attest a of lnformation,‘ to the Federal Reserve may have 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 containing that individual.

Signature of Holding Company Director and Official

Date of Signature

For holding companies not registered with the SEC—Indicate status of Annual Report to Shareholders:
☐ is included with the FR Y-8 report
☐ will be sent under separate cover
☐ is not prepared

For Federal Reserve Bank Use Only

RSF 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 ........................................... 0
2. a letter justifying this request has been provided separately................................................................. 0

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.

<table>
<thead>
<tr>
<th>Legal Title of Subsidiary Holding Company</th>
<th>PO Box 769</th>
<th>Union</th>
<th>SC</th>
<th>29379</th>
</tr>
</thead>
<tbody>
<tr>
<td>JCO Partners LP</td>
<td></td>
<td>City</td>
<td>State</td>
<td>Zip Code</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 East Main Street</td>
<td>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Physical Location (if different from mailing address)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Legal Title of Subsidiary Holding Company</th>
<th>PO Box 769</th>
<th>Union</th>
<th>SC</th>
<th>29379</th>
</tr>
</thead>
<tbody>
<tr>
<td>JCO Partners II LP</td>
<td></td>
<td>City</td>
<td>State</td>
<td>Zip Code</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 East Main Street</td>
<td>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Physical Location (if different from mailing address)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
JCO Ventures, LLC

J. Carlisle Oxner, III ("JCO")
Union, SC
in his individual capacity

100%

JCO Ventures, LLC,
Union, SC
(forming in Georgia)

99.458%

0.69%

JCO Ventures, LLC,
Union, SC
(forming in South Carolina)

JCO Partners, L.P.,
Union, SC
(forming in Georgia)
(JCO Ventures, LLC,
General Partner)

JCO Partners II, L.P.,
Union, SC
(forming in Georgia)
(JCO Ventures, LLC,
General Partner)

99.31%

Arthur Financial Corporation, Union,
SC (incorporated in Delaware)
(of 1,463,688 shares of issued common stock [1,754 of these issued shares are treasury stock], 49,048 or 3.35% are held by JCO Partners, L.P., and 242,960 shares or 16.6% are held by JCO Partners II, L.P.)

100%

Arthur State Bank
Union, SC
(forming in South Carolina)

Arthur Financial
Statutory Trust I
Union, SC
(forming in Delaware)

1/ This trust is not a bank holding company
2/ This company files a separate Form Y-6.
3/ No entities have an LEI.
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
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(a)(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. §§ 246(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, 1850(a)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

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, 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 of the report concerning that individual.

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:
X 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.

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 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.

Date of Report (top-tier holding company’s fiscal year-end):
December 31, 2016

Month / Day / Year

N/A

Reporters Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporters 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.
Name Title
EVP & CFO, COO

884-466-4504
Area Code / Phone Number / Extension
884-466-4557
Area Code / FAX Number
dcook@arthurstatebank.com
E-mail Address

www.arthurstatebank.com
Address (URL) for the Holding Company’s web page

Is confidential treatment requested for any portion of this report submission? ☑ Yes ☐ No

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."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0289), Washington, DC 20503.
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
2B. SEPARATE BRANCH LISTING ATTACHED
### Branch Information and Verification Process

When you are ready to submit a new listing to your web site, you must verify the listing using our online system. To verify your listing, you will need to provide the following information:

1. **Effective Date**: The date the listing will go online.
2. **City and State**: The city and state where the listing is located.
3. **Agency Name**: The name of the regulatory agency that approved the listing.
4. **Fax Number**: The fax number where the listing will be sent.

### Tips

**To verify your listing**, you must submit the following information:

- **Effective Date**: The date the listing will go online.
- **City and State**: The city and state where the listing is located.
- **Agency Name**: The name of the regulatory agency that approved the listing.
- **Fax Number**: The fax number where the listing will be sent.

**Verification Requirements**

- **100% Verification**: All listings must be verified by a qualified professional.
- **Due Diligence**: You must ensure that the information on your listing is accurate and complete.
- **Redacted Listings**: Redacted listings must be submitted in PDF format only.

**Submitting Listings**

You may submit listings online through our website or by fax. To submit listings online, please visit our website at [www.scbank.com](http://www.scbank.com). To submit listings by fax, please use the number provided in the listing instructions.

**Fax Numbers**

- **1-800-123-4567**: General fax number for submitting listings.
- **1-800-123-4568**: Fax number for redacted listings.

### Branch Directory

<table>
<thead>
<tr>
<th>BranchName</th>
<th>Location</th>
<th>Contact Person</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>FirstBank</td>
<td>123 Main Street</td>
<td>John Doe</td>
<td>(123) 456-7890</td>
</tr>
<tr>
<td>SecondBank</td>
<td>456 Oak Avenue</td>
<td>Jane Smith</td>
<td>(987) 654-3210</td>
</tr>
</tbody>
</table>

**Note**: Verification of these listings is not required.
**REPORT ITEM 3: SECURITIES HOLDERS**

(1)(A), (B), AND (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

<table>
<thead>
<tr>
<th>(1)(A) NAME</th>
<th>(1)(B) COUNTRY OF CITIZENSHIP</th>
<th>(1)(C) NUMBER &amp; PERCENTAGE OF EACH CLASS OF VOTING</th>
</tr>
</thead>
<tbody>
<tr>
<td>J CARLISLE OXNER, III</td>
<td>USA</td>
<td>41,922 - 2.8667% COMMON</td>
</tr>
<tr>
<td>JCD PARTNERS II, LP</td>
<td>USA</td>
<td>242,960 - 16.619% COMMON</td>
</tr>
<tr>
<td>JCO PARTNERS, LP</td>
<td>USA</td>
<td>49,048 - 3.355% COMMON</td>
</tr>
<tr>
<td>HARRY A. OXNER</td>
<td>USA</td>
<td>42,537 - 2.915% COMMON</td>
</tr>
<tr>
<td>HAO PARTNERS II, LP</td>
<td>USA</td>
<td>228,440 - 15.628% COMMON</td>
</tr>
<tr>
<td>HAO PARTNERS, LP</td>
<td>USA</td>
<td>46,162 - 3.185% COMMON</td>
</tr>
<tr>
<td>FOU PARTNERS II, LP</td>
<td>USA</td>
<td>198,876 - 13.467% COMMON</td>
</tr>
<tr>
<td>FOU PARTNERS, LP</td>
<td>USA</td>
<td>49,108 - 3.359% COMMON</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>(2)(A) NAME</th>
<th>(2)(B) COUNTRY</th>
<th>(2)(C) NUMBER &amp; PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONE</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# ARTHUR FINANCIAL CORPORATION
## FISCAL YEAR ENDING DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>(1) NAME, CITY</th>
<th>(2) PRINCIPAL OCCUPATION</th>
<th>(3A) TITLE &amp; POSITION WITH BC</th>
<th>(3B) TITLE &amp; POSITION WITH SUBSIDIARY</th>
<th>(3C) TITLE &amp; POSITION WITH OTHER BUSINESSES</th>
<th>%A</th>
<th>%B</th>
<th>%C</th>
<th>OTHER COMPANIES IF 25% OR MORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. CARLILE OXNER, JR</td>
<td>ATTORNEY</td>
<td>DIRECTOR AND CHAIRMAN</td>
<td>DIRECTOR &amp; CHAINMAN</td>
<td>OWNER - OXNER &amp; OXNER LAW FIRM</td>
<td>0.76%</td>
<td>NONE</td>
<td>NONE</td>
<td></td>
</tr>
<tr>
<td>J. CARLILE OXNER, JR</td>
<td>ATTORNEY</td>
<td>DIRECTOR AND PRESIDENT &amp; CEO</td>
<td>DIRECTOR AND PRESIDENT &amp; CEO</td>
<td></td>
<td>2.37%</td>
<td>NONE</td>
<td>NONE</td>
<td></td>
</tr>
<tr>
<td>HARRY A OXNER</td>
<td>ATTORNEY</td>
<td>DIRECTOR AND BOARD SECRETARY</td>
<td>DIRECTOR AND BOARD SECRETARY</td>
<td>PARTNER - OXNER &amp; STACY LAW FIRM</td>
<td>2.92%</td>
<td>NONE</td>
<td>NONE</td>
<td></td>
</tr>
<tr>
<td>DANIEL O. COOK, JR.</td>
<td>ATTORNEY</td>
<td>DIRECTOR AND EVP &amp; CEO, COO</td>
<td>DIRECTOR AND EVP &amp; CEO, COO</td>
<td></td>
<td>0.00%</td>
<td>NONE</td>
<td>NONE</td>
<td></td>
</tr>
<tr>
<td>WILLIAM DOGAN WILSON</td>
<td>RETIRED -- TEXTILES</td>
<td>DIRECTOR</td>
<td>DIRECTOR</td>
<td>OWNER &amp; PRESIDENT, CONVERSE &amp; COMPANY, INC</td>
<td>0.13%</td>
<td>NONE</td>
<td>100% CONVERSE &amp; CO</td>
<td></td>
</tr>
<tr>
<td>JUSTIN A CONVERSE</td>
<td>MINERALS HANDLING DIRECTOR</td>
<td>DIRECTOR</td>
<td>OWNER &amp; PRESIDENT, CONVERSE &amp; COMPANY, INC</td>
<td>0.13%</td>
<td>NONE</td>
<td>100% CONVERSE &amp; CO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>JCO PARTNERS II, LP</td>
<td>LIMITED PARTNERSHIP (TO HOLD INDIVIDUAL BANK HOLDING COMPANY STOCK)</td>
<td>STOCKHOLDER</td>
<td>STOCKHOLDER</td>
<td></td>
<td>16.65%</td>
<td>NONE</td>
<td>NONE</td>
<td></td>
</tr>
<tr>
<td>KGO PARTNERS II, LP</td>
<td>LIMITED PARTNERSHIP (TO HOLD INDIVIDUAL BANK HOLDING COMPANY STOCK)</td>
<td>STOCKHOLDER</td>
<td>STOCKHOLDER</td>
<td></td>
<td>16.65%</td>
<td>NONE</td>
<td>NONE</td>
<td></td>
</tr>
<tr>
<td>FLD PARTNERS II, LP</td>
<td>LIMITED PARTNERSHIP (TO HOLD INDIVIDUAL BANK HOLDING COMPANY STOCK)</td>
<td>STOCKHOLDER</td>
<td>STOCKHOLDER</td>
<td></td>
<td>13.45%</td>
<td>NONE</td>
<td>NONE</td>
<td></td>
</tr>
</tbody>
</table>
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
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 Cook, III
President and Chief Executive Officer

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