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.

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, Barry T Kight
Name of the Holding Company Director and Official
Trustee

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.

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-6 report
☐ will be sent under separate cover
☐ is not prepared

For Federal Reserve Bank Use Only

RSSID ID

0=No
1=Yes

Is confidential treatment requested for any portion of this report submission? 

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."

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

31/12/2016

Month / Day / Year

na

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

Reporters Name, Street, and Mailing Address

Frances W Arthur Irrev Trust #2 fbo Frances O Jorgeson

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

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.9 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 (7100-0297), Washington, DC 20503.
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>(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box</th>
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<tbody>
<tr>
<td>FOJ Partners LP II</td>
<td>PO Box 769</td>
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<td>Union SC 29379</td>
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<td>100 East Main Street</td>
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Physical Location (if different from mailing address)

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</table>
Frances W. Arthur
Irrevocable Trust No. 2
for the Benefit of
Frances Oxner Jorgenson

Frances Oxner Kendrick
(formerly Frances Oxner Jorgenson)
Pawleys Island, S.C.
in her individual capacity

100%

FOJ Management Company, LLC
Union, S.C. (formed in Georgia)

0.54%

Frances W. Arthur Irrevocable Trust No.2
for the Benefit of Frances Oxner Jorgenson
Union, S.C. (formed in South Carolina)
Barry T. Kight, Trustee

99.4583%

39,837 shares or
2.72%

FOJ Partners, II, L.P., Union, S.C.
(formerly in Georgia) (FOJ
Management Company, LLC,
General Partner)

100%

Arthur Financial Corporation
Union, S.C.
(incorporated in Delaware)

100%

195,742 shares or,
13.39%

Arthur State Bank
Union, S.C.
(formerly in South Carolina)

Arthur Financial
Statutory Trust I
Union, S.C. (formed in
Delaware)

1/ This company files a separate Form Y-6

No entities have an LEI.
PRINCIPAL OCCUPATION:
The Trust: Mr. Kight's principal occupation is CPA, C.C. McGregor and Company, LLC and portfolio manager, McGregor, Financial Advisors, LLC, Columbia, S.C.

FOJ II: Item 4(2) is not applicable to FOJMC.

TITLE OR POSITION
The Trust: Mr. Kight is the sole trustee of the Trust. He has no title or position with FOJ Partners, II, LP, or Arthur Financial Corporation, nor with any direct or indirect subsidiary of any of these companies. Mr. Kight is not associated with any other company as director, trustee, partner or executive officer.

FOJ II: Item 4(3) is not applicable to FOJMC.

PERCENTAGE OF EACH CLASS OF VOTING SECURITIES OWNED, CONTROLLED OR HELD
The Trust and FOJ II: The Trust and FOJ II have no directors or officers.

ORGANIZATION CHART
See attached
SHAREHOLDERS

The Trust: As a trust established under South Carolina law, the Trust has no shareholders. There are no outstanding options, warrants or other securities or rights that can be converted into or exercised for interests in the Trust.

FOJ Partners II, L.P.: FOJ Partners II, L.P. (“FOJ II”), is a Georgia limited, which does not issue shares. The Trust holds 99.458% of the limited partnership interest in FOJ II. There are no outstanding options, warrants or other securities or rights that can be converted into or exercised for interests in FOJ II.

DIRECTORS AND OFFICERS

The Trust: The Trust has no directors or officers. Information concerning its sole trustee is set forth below.

FOJ II: FOJ II has no directors or officers. Its general manager is FOJ Management Company, LLC, information concerning which is set forth below.

NAMES AND ADDRESS:

The Trust: Barry Tison Kight, Columbia, S.C., is the sole trustee of the Trust.

FOJ II: The general manager of FOJ II is FOJ Management Company, LLC, Union, S.C. (“FOJMC”). FOJMC files a separate report on Form Y-6 which contains information on FOJMC.
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 6(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. §§ 248a(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.

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 216, that the Reporter and individual consent to public release of all details in 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:
☒ 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 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.

Date of Report (top-tier holding company's fiscal year-end):
December 31, 2016
Month / Day / Year

Arthur Financial Corporation
Legal Title of Holding Company

P. O. Box 769
(Mailing Address of the Holding Company) Street / P. O. Box
Union
City
SC
29379
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
EVP & CFO, COO
Title

Area Code / Phone Number / Extension
864-466-4504
Area Code / FAX Number
864-466-4557
doncook@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? 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

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12/2016
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
ARThUR FINANCIAL CORPORATION
UNION, SOUTH CAROLINA
NO LEI
ORGANIZED IN DELAWARE

ARThUR STATE BANK
UNION, SC
100%
NO LEI
ORGANIZED IN SOUTH CAROLINA

ARThUR FINANCIAL STATUTORY TRUST I
UNION, SC
100%
NO LEI
ORGANIZED IN DELAWARE

29. SEPARATE BRANCH LISTING ATTACHED
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.

Submissions Procedure
When you are finished, send a signed 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 via the FR Y-10 Online application - https://FROnline.frb.gov.

* FRBC UNIFORM, Office Number, and ED-200 codes are not for referencing only. Verification of these numbers is not required.

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<th>FDIC Service Code</th>
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<th>Branch/Office ID</th>
<th>Branch/Service Type</th>
<th>Branch/Office Name</th>
<th>Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>County</th>
<th>Country</th>
<th>FDIC/CRNUM*</th>
<th>Office Number</th>
<th>Head Office ED-200*</th>
<th>Comments</th>
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<td>(1)(C) NUMBER &amp; PERCENTAGE</td>
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<td>USA</td>
<td>41,926 - 2.868% COMMON</td>
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<tr>
<td>HARRY A. OXNER</td>
<td>USA</td>
<td>42,637 - 2.916% COMMON</td>
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<tr>
<td>HAQ PARTNERS II, LP</td>
<td>USA</td>
<td>242,980 - 16.619% COMMON</td>
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<tr>
<td>HAQ PARTNERS, LP</td>
<td>USA</td>
<td>49,048 - 3.355% COMMON</td>
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<tr>
<td>FOJ PARTNERS II, LP</td>
<td>USA</td>
<td>190,876 - 13.467% COMMON</td>
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<tr>
<td>FOJ PARTNERS, LP</td>
<td>USA</td>
<td>49,108 - 3.359% COMMON</td>
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<tr>
<td>NAME, CITY</td>
<td>OCCUPATION</td>
<td>TITLE &amp; POSITION WITH SUBSidiary</td>
<td>TITLE &amp; Position WITH OTHER BUSINESS</td>
<td>% OF VOTING</td>
<td>% OF VOTING OTHER COMPANIES IF NONE</td>
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<tr>
<td>J CARLISLE OXNER, JR.</td>
<td>ATTORNEY</td>
<td>DIRECTOR AND CHAIRMAN</td>
<td>OWNER - OWNER &amp; OWNER LAW FIRM</td>
<td>0.76%</td>
<td>NONE</td>
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<tr>
<td>G. CARLISLE OXNER, III</td>
<td></td>
<td>DIRECTOR AND PRESIDENT &amp; CEO</td>
<td></td>
<td>2.67%</td>
<td>NONE</td>
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<tr>
<td>HARRY O. OXNER</td>
<td>ATTORNEY</td>
<td>DIRECTOR AND BOARD SECRETARY</td>
<td>PARTNER - OWNER &amp; STACY LAW FIRM</td>
<td>2.52%</td>
<td>NONE</td>
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<tr>
<td>DANNEL O. COOK, JR.</td>
<td></td>
<td>DIRECTOR AND EVP &amp; CFO, COO</td>
<td></td>
<td>0.05%</td>
<td>NONE</td>
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<tr>
<td>WILLIAM DOAN WILSON</td>
<td>DIRECTOR</td>
<td></td>
<td></td>
<td>9.24%</td>
<td>NONE</td>
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<tr>
<td>JUSTIN A CONVERSE</td>
<td>MINERALS HANDLING</td>
<td>DIRECTOR</td>
<td>OWNER &amp; PRESIDENT CONVERSE &amp; COMPANY, INC</td>
<td>0.13%</td>
<td>100%</td>
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<td>KO PARTNERS II, LP</td>
<td>LIMITED PARTNERSHIP</td>
<td>STOCKHOLDER</td>
<td></td>
<td>16.61%</td>
<td>NONE</td>
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<tr>
<td>FOI PARTNERS II, LP</td>
<td>LIMITED PARTNERSHIP</td>
<td>STOCKHOLDER</td>
<td></td>
<td>15.02%</td>
<td>NONE</td>
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<td>13.48%</td>
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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
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 Oster, III
President and Chief Executive Officer

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