

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.
and
STATE OF SOUTH CAROLINA
BOARD OF FINANCIAL INSTITUTIONS
COLUMBIA, SOUTH CAROLINA

_____)	
In the Matter of)	
ENTERPRISE BANK OF SOUTH CAROLINA)	CONSENT ORDER
EHRHARDT, SOUTH CAROLINA)	
_____)	FDIC-12-291b
(Insured State Nonmember Bank))	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Enterprise Bank of South Carolina, Ehrhardt, South Carolina, (“Bank”), under section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “STIPULATION TO THE ISSUANCE OF A CONSENT ORDER” (“STIPULATION”), dated April 11, 2013, that is accepted by the FDIC and the Commissioner of Banking (“Commissioner”) on behalf of the South Carolina Board of Financial Institutions (“State Board”). The State Board may issue an order pursuant to the provisions of S.C. Code Ann. § 34-1-60. With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weaknesses in asset quality, management, earnings, capital, liquidity, sensitivity to market risk, and its Bank Secrecy Act program, to the issuance of this Consent Order (“ORDER”) by the FDIC and the State Board.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b) have been satisfied, the FDIC and the State Board hereby order that:

BOARD OF DIRECTORS

1. (a) As of the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's responses; and compliance with this ORDER. Board meeting minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within 60 days from the effective date of this ORDER, the Board shall establish a Board committee ("Directors' Committee"), consisting of at least three members, to oversee the Bank's compliance with this ORDER. At least two of the members of such committee shall be directors not employed in any capacity by the Bank other than as a director. The Directors' Committee shall formulate and review monthly reports detailing the Bank's actions with respect to compliance with this ORDER. The Directors' Committee shall present a report to the Board at each regularly scheduled Board meeting, and such report shall detail the Bank's adherence to this ORDER. Such report shall be recorded in the appropriate Board meeting minutes and shall be

retained in the Bank's records. Establishment of this committee does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

(c) Within 60 days from the effective date of this ORDER, the Board shall develop and adopt an educational program for periodic training for each member of the Board. The educational program shall include, at a minimum:

(i) Specific training in the areas of lending, operations, and compliance with laws, rules, and regulations applicable to banks of comparable size and complexity chartered in the state of South Carolina; and

(ii) Specific training in the duties and responsibilities of the Board in connection with the safe and sound operation of the Bank.

(d) Upon adoption of the educational program, it shall be acceptable to the Regional Director of the FDIC's Atlanta Regional Office ("Regional Director") and the Commissioner on behalf of the State Board (collectively, the "Supervisory Authorities") at subsequent examinations and/or visitations. The Board shall document the training activities in the minutes of the next Board meeting following completion of any such training. The Board's actions as required by this paragraph shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations or visitations.

(e) Within 30 days from the effective date of this ORDER, the Board shall designate a directors' committee to review and approve loans, with such committee being structured so that a majority of its members are directors who are not actively involved in the Bank's lending activities.

MANAGEMENT

2. (a) Within 90 days from the effective date of this ORDER, the Bank shall have and retain qualified management with the qualifications and experience commensurate with assigned duties and responsibilities at the Bank. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this ORDER. At a minimum, management shall include the following:

(i) A chief executive officer with proven ability in managing a bank of comparable size and in effectively implementing lending, investment and operating policies in accordance with safe and sound banking practices;

(ii) A senior lending officer with a significant amount of appropriate lending, collection, and loan supervision experience, and experience in upgrading a low quality loan portfolio; and

(iii) A chief operating officer with a significant amount of appropriate experience in managing the operations of a bank of similar size and complexity in accordance with sound banking practices.

(b) The qualifications of management shall be assessed on its ability to:

(i) Comply with the requirements of this ORDER;

(ii) Operate the Bank in a safe and sound manner;

(iii) Comply with applicable laws and regulations; and

(iv) Restore all aspects of the Bank to a safe and sound condition, including, but not limited to, asset quality, capital adequacy, earnings, management effectiveness, risk management, liquidity and sensitivity to market risk.

(c) During the life of this ORDER, the Bank shall notify the Supervisory Authorities, in writing, of the resignation or termination of any of the Bank's directors or senior executive officers. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 of the Act, 12 U.S.C. § 1831i, 12 C.F.R. §§ 303.100-303.104, and any State requirement for prior notification and approval. If the Regional Director issues a notice of disapproval pursuant to 12 U.S.C. § 1831i, with respect to the proposed individual, then such individual may not be added to the Board or employed by the Bank.

(d) Within 30 days from the effective date of this ORDER, the Bank shall retain a bank consultant who will develop a written analysis and assessment of the Bank's management needs ("Management Report") for the purpose of providing qualified management for the Bank.

(e) The Management Report shall be developed within 60 days from the effective date of this ORDER and shall include, at a minimum:

(i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

(ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(iii) Written evaluation of all senior executive officers to determine whether such individuals possess the ability, experience and other qualifications required to perform

present and anticipated duties, including, but not limited to, adherence to the Bank's established policies and practices, restoration of the Bank to a safe and sound condition, and maintenance of the Bank in a safe and sound condition thereafter;

(iv) Evaluation of all Bank officers' compensation, including salaries, director fees, and other benefits;

(v) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions consistent with the needs identified in the Management Plan; and

(vi) An organizational chart.

(f) Within 30 days from the effective date of this ORDER, the Bank shall provide the Supervisory Authorities with a copy of the proposed engagement letter or third party contract for review before it is executed.

(g) The contract or engagement letter, at a minimum, shall include:

(i) A description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) The responsibilities of the firm or individual;

(iii) An identification of the professional standards covering the work to be performed;

(iv) Identification of the specific procedures to be used when carrying out the work to be performed;

- (v) The qualifications of the employee(s) who will perform the work;
- (vi) The time frame for completion of the work;
- (vii) Any restrictions on the use of the reported findings;
- (viii) A provision for unrestricted examiner access to work papers; and
- (ix) A certification that neither the firm, nor any individual involved in the work to be performed, is affiliated in any manner with the Bank.

(h) Within 30 days from receipt of the Management Report, the Bank shall formulate a written plan ("Management Plan") that incorporates the findings of the Management Report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. At a minimum, the Management Plan shall:

- (i) Contain a recitation of the recommendations included in the Management Report;
- (ii) Incorporate a plan to provide necessary training and development for all employees;
- (iii) Establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member; and
- (iv) Contain a current management succession plan.

(i) Such Management Plan and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

CAPITAL

3. (a) During the life of this ORDER, the Bank shall maintain a Leverage Capital Ratio of at least 8 percent and a Total Risk-Based Capital Ratio of at least 10 percent as those capital ratios are defined in 12 C.F.R. § 325.

(b) The level of Tier 1 Capital to be maintained during the life of this ORDER pursuant to this paragraph shall be in addition to a fully funded allowance for loan and lease losses ("ALLL"), the adequacy of which shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(c) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Supervisory Authorities a written capital plan. Such capital plan shall detail the steps that the Bank shall take to achieve and maintain the capital requirements set forth in this ORDER. In developing the capital plan, the Bank shall take into consideration:

- (i) The volume of the Bank's adversely classified assets;
- (ii) The nature and level of the Bank's asset concentrations;
- (iii) The adequacy of the Bank's ALLL;
- (iv) The anticipated level of retained earnings;
- (v) Anticipated and contingent liquidity needs; and
- (vi) The source and timing of additional funds to fulfill future capital needs.

(d) In addition, the capital plan must include a contingency plan in the event that the Bank has failed to:

- (i) Maintain the minimum capital ratios required by this paragraph;
- (ii) Submit an acceptable capital plan as required by this paragraph; or
- (iii) Implement or adhere to a capital plan to which the Supervisory

Authorities have taken no written objection pursuant to this paragraph.

(e) The contingency plan shall include a plan to sell or merge the Bank. The Bank shall implement the contingency plan upon written notice from the Supervisory Authorities.

- (f) Any increase in Tier 1 Capital necessary to meet the requirements of this

ORDER may be accomplished by the following:

- (i) Sale of common stock;
- (ii) Sale of noncumulative perpetual preferred stock;
- (iii) Direct contribution of cash by the Board, shareholders, and/or parent holding company;
- (iv) Any combination of the above means; or
- (v) Any other means acceptable to the Supervisory Authorities.

(g) No increase in Tier 1 Capital that is necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's ALLL.

(h) If all or part of any necessary increase in Tier 1 Capital required by this ORDER is accomplished by the sale of new securities, the Board shall take all necessary steps to implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of

the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with applicable federal securities laws. Prior to the implementation of the plan and, in any event, not less than 15 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the Commissioner of Banking, South Carolina Board of Financial Institutions, 1205 Pendleton Street, Suite 305, Columbia, South Carolina, 29201, and the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room MB-5073, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or materials by the Supervisory Authorities shall be made prior to the dissemination of the plan and materials. If the increase in Tier 1 Capital is provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to interest rate and convertibility factor, shall be presented to the Supervisory Authorities for prior approval.

(i) In complying with the provisions of the Capital paragraph of this ORDER, if all or part of any necessary increase in Tier 1 Capital required by this ORDER is accomplished by the sale of securities, the Bank shall provide written notice of any material events to any subscriber and/or purchaser of the Bank's securities until closing of the offering and disbursement of funds to the Bank from escrow. A material event is an occurrence that would likely be viewed by a reasonable investor as directly affecting the decision to purchase, or not to purchase, the Bank's securities through an offering. The written notice required by this paragraph

shall be furnished within 10 days from the date a material event was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the Bank's original offering information.

LIQUIDITY AND FUNDS MANAGEMENT

4. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan to improve liquidity, contingency funding, interest rate risk, and asset liability management.

(b) The plan shall incorporate the guidance contained in *Liquidity Risk Management*, FIL-84-2008 (Aug. 26, 2008). The plan shall provide restrictions on the use of brokered and internet deposits consistent with safe and sound banking practices.

(c) A copy of the plan shall be acceptable to the Supervisory Authorities at the initial review and at subsequent examinations and/or visitations. The Bank shall adopt, implement, and follow the plan, and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(d) Beginning with the effective date of this ORDER, the Bank's management shall review its liquidity position to ensure that the Bank has sufficient liquid assets or sources of liquidity to meet current and anticipated liquidity needs. This review shall include an analysis of the Bank's sources and uses of funds (cash flow analysis). The results of this review shall be presented to the Board for review each month, with the review noted in the Board meeting minutes.

CHARGE-OFF LOSS AND DOUBTFUL

5. (a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the Report of Examination dated April 9, 2012, (the "Report"), that have not been previously collected or charged-off. Elimination of any of these assets through proceeds of other loans made by the Bank is not considered collection for purposes of this paragraph.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days from the receipt of any official Report of Examination of the Bank from the FDIC or the State Board, eliminate from its books, by collection, charge-off, or other proper entry, the remaining balance of any asset classified "Loss" and 50 percent of those assets classified "Doubtful" unless otherwise approved in writing by the Supervisory Authorities. If an asset is classified "Doubtful", the Bank may, in the alternative, charge-off the amount that is considered uncollectible in accordance with the Bank's written analysis of loan or lease impairment. Such analysis shall be accomplished in accordance with generally accepted accounting principles, the Federal Financial Institutions Examination Council's ("FFIEC") *Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)*, <http://www.ffiec.gov/>, Interagency Statements of Policy on the ALLL, and other applicable regulatory guidance that addresses the adequacy of the Bank's ALLL.

CLASSIFIED ASSET REDUCTION

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall submit a written plan to the Supervisory Authorities to reduce the remaining assets classified "Doubtful"

and "Substandard" in the Report or any future regulatory examination report. The plan shall address each asset so classified with a balance of \$400,000 or greater and provide the following:

- (i) The name under which the asset is carried on the books of the Bank;
- (ii) Type of asset;
- (iii) Actions to be taken in order to reduce the classified asset; and
- (iv) Timeframes for accomplishing the proposed actions.

(b) The plan shall also include, at a minimum:

- (i) A review of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and

- (ii) An evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(c) In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall require the submission of monthly progress reports to the Board and mandate a review by the Board.

(d) The Bank shall present the plan to the Supervisory Authorities for review. Within 30 days from the Supervisory Authorities' response, the plan, including any requested modifications or amendments, shall be adopted by the Board and the approval shall be recorded in the Board minutes. The Bank shall then immediately implement the plan.

(e) For purposes of the plan, the reduction of adversely classified assets as of the Report shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's ALLL and may be accomplished by:

(i) Charge-off;

(ii) Collection;

(iii) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the State Board;

and/or

(iv) Increase in the Bank's Tier 1 Capital.

NO ADDITIONAL CREDIT

7. (a) Beginning with the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been charged off or classified, in whole or in part, "Loss" or "Doubtful" and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(b) Additionally, during the life of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Bank that has been classified, in whole or part, "Substandard."

(c) The limitations on additional credit in paragraph 7(b) shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests

of the Bank. Prior to the extension of any additional credit pursuant to this paragraph, either in the form of an extension or further advance of funds, such additional credit shall be approved by a majority of the Board or a designated committee thereof, who shall certify in writing that:

(i) The failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, including an explanatory statement of why it would be detrimental to the Bank's best interests;

(ii) The Bank's position would be improved thereby, including an explanatory statement of how the Bank's position would be improved; and

(iii) An appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(d) The signed certification shall be made a part of the meeting minutes of the Board or its designated committee and a copy of the signed certification shall be retained in the borrower's credit file.

(e) Any additional extensions of credit to classified borrowers made under this provision shall be reported to the Supervisory Authorities at 90-day intervals with the other reporting requirements set forth in this ORDER. At a minimum, the 90-day reports shall include the name of the classified borrower, the amount of additional credit extended, and the total outstanding balance of credit extended to the classified borrower.

STRATEGIC PLAN

8. (a) Within 90 days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities an acceptable written business/strategic plan covering

the overall operation of the Bank. At a minimum the plan shall establish objectives for the Bank's earnings performance, growth, balance sheet mix, liability structure, capital adequacy, and reduction of nonperforming and underperforming assets, together with strategies for achieving those objectives. The plan shall also identify capital, funding, managerial, and other resources needed to accomplish its objectives. Such plan shall specifically provide for the following:

(i) Goals for the composition of the loan portfolio by loan type including strategies to diversify the type and improve the quality of loans held;

(ii) Goals for the composition of the deposit base including strategies to reduce reliance on volatile and costly deposits; and

(iii) Plans for effective risk management and collection practices.

(b) The Board shall approve the business/strategic plan, which approval shall be recorded in the Board meeting minutes for the meeting at which the business/strategic plan was approved.

LENDING

9. Within 60 days from the effective date of this ORDER, the Board shall review, revise, adopt, and implement its written lending and collection policy to provide effective guidance and control over the Bank's lending and credit administration functions, which implementation shall include the resolution of those exceptions enumerated in the Report. The written policy shall include specific guidelines for concentrations of credit, placing loans on nonaccrual status, limitations on interest reserves and deferred payment plans, procedures to ensure that the Bank performs appropriate underwriting prior to purchasing loan participations, and provisions which

establish a written policy governing the Bank's Other Real Estate portfolio. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

LOAN REVIEW

10. Within 60 days from the effective date of this ORDER, the Bank shall adopt an effective internal loan review and grading system to provide for the periodic review of the Bank's loan portfolio in order to identify and categorize the Bank's loans, and other extensions of credit which are carried on the Bank's books as loans, on the basis of credit quality. Such system and its implementation shall be satisfactory to the Supervisory Authorities at the initial review of the system, and at subsequent examinations and/or visitations. At a minimum, the grading system shall provide for the following:

- (a) Specification of standards and criteria for assessing the credit quality of the Bank's loans;
- (b) Application of loan grading standards and criteria to the Bank's loan portfolio;
- (c) Categorization of the Bank's loans into groupings based on the varying degrees of credit and other risks that may be presented under the applicable grading standards and criteria, but in no case will a loan be assigned a rating higher than that assigned by examiners at the last examination of the Bank without prior written notification to the Supervisory Authorities;

(d) Assessment of the likelihood that each loan exhibiting credit and other risks will not be repaid according to its terms and conditions;

(e) Identification of any loan that is not in conformance with the Bank's loan policy;

(f) Identification of any loan which presents any unsafe or unsound banking practice or condition or is otherwise in violation of any applicable state or federal law, regulation, or statement of policy;

(g) Requirement of a written report to be made to the Board and Audit Committee, if any, not less than quarterly after the effective date of this ORDER. The report shall identify the status of those loans that exhibit credit and other risks under the applicable grading standards/criteria and the prospects for full collection and/or strengthening of the quality of any such loans; and

(h) Specific policies governing Bank charge-offs of loans and underlying collateral taken to repay loans.

ALLOWANCE FOR LOAN AND LEASE LOSSES AND CALL REPORT

11. (a) Immediately upon the issuance of this ORDER, the Board shall make a provision to replenish the Allowance for Loan and Lease Losses ("ALLL"), which as of the date of the examination was underfunded as set forth in the Report.

(b) Within 45 days from the effective date of this ORDER, the Bank must determine the Bank's ALLL reserve adequacy using Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 450 (Topic 450, "Contingencies") and ASC 310-10-

35 (Section 35, "Subsequent Measurement General," of Subtopic 310-10). Provisions for loan losses must be based on the inherent risk in the Bank's loan portfolio. The Bank must also adhere to the guidance set forth in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses*, FIL-105-2006 (Dec. 13, 2006). The Board must document and support in writing any decision to not require provisions for ALLL in the Board meeting minutes.

(c) Within 90 days from the effective date of this ORDER, the Board shall review the adequacy of the ALLL and establish a comprehensive policy for determining the adequacy of the ALLL. For the purpose of this determination, the adequacy of the ALLL shall be determined after the charge-off of all loans or other items classified "Loss". The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review shall be completed in time to properly report the ALLL in the quarterly Consolidated Reports of Condition and Income. The review shall focus on the results of the Bank's internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. The review should include a review of compliance with ASC 450 (Topic 450, "Contingencies") and ASC 310-10-35 (Section 35, "Subsequent Measurement General," of Subtopic 310-10). The policy shall adhere to the guidance set forth in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses*, FIL-105-2006 (Dec. 13, 2006). A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the next Consolidated Report of Condition and Income, by a charge to current operating earnings. The Board meeting minutes for the meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the ALLL and its

implementation shall be satisfactory to the Supervisory Authorities as determined at the initial review and at subsequent examinations and/or visitations.

BUDGET

12. (a) Within 60 days from the effective date of this ORDER, the Bank shall implement a written plan and a comprehensive budget for all categories of income and expense for the calendar year ending December 31, 2013. The plan and budget required by this paragraph shall include formal goals and strategies, consistent with sound banking practices, and take into account the Bank's other written policies in order to improve the Bank's net interest margin, increase interest income, reduce discretionary expenses, control overhead, and improve and sustain earnings of the Bank. The plan shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components. Thereafter, the Bank shall formulate such a plan and budget by November 30 of each subsequent year and submit the plan and budget to the Supervisory Authorities for review and comment by December 15 of each subsequent year. The plan and budget required by this ORDER shall be acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(b) On a monthly basis, the Board shall evaluate the Bank's actual performance in relation to the plan and budget required by this ORDER and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken. The actual performance compared to the budget shall be submitted to the Supervisory Authorities with the quarterly progress reports required by this ORDER.

INTEREST RATE RISK POLICY

13. Within 60 days from the effective date of this ORDER, the Bank shall develop and implement a written policy for managing interest rate risk in a manner that is appropriate to the size of the Bank and the complexity of its assets. The policy shall comply with the *Joint Agency Policy Statement on Interest Rate Risk*, FIL-52-96 (July 12, 1996), and the *FFIEC Advisory on Interest Rate Risk Management*, FIL-2-2010 (Jan. 20, 2010), and shall be consistent with the comments and recommendations detailed in the Report. The policy shall include guidelines governing the means by which the interest rate risk position will be monitored, the establishment of risk parameters, and periodic reporting to management and the Board regarding interest rate risk with adequate information provided to assess the level of risk. Such policy and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

VIOLATIONS OF LAW, REGULATION, AND CONTRAVENTION OF POLICY

14. Within 60 days from the effective date of this ORDER, the Bank will eliminate and/or correct all violations of laws, regulations, and/or contraventions of statements of policy in the Report and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable federal and state laws, regulations, and/or statements of policy.

RESTRICTIONS OF CERTAIN PAYMENTS

15. (a) While this ORDER is in effect, the Bank shall not declare or pay dividends, bonuses, or make any other form of payment outside the ordinary course of business resulting in a reduction of capital, without the prior written approval of the Supervisory Authorities. All

requests for prior approval shall be received at least 30 days prior to the proposed dividend or bonus payment declaration date (or at least 5 days with respect to any request filed within the first 30 days from the date of this ORDER) and shall contain, but not be limited to, an analysis of the impact such dividend or bonus payment would have on the Bank's capital, income, and/or liquidity positions.

(b) During the term of this ORDER, the Bank shall not make any distributions of interest, principal or other sums on subordinated debentures, if any, without the prior written approval of the Supervisory Authorities.

BROKERED DEPOSITS

16. Throughout the effective life of this ORDER, the Bank shall not accept, renew, or rollover any brokered deposit, as defined in 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b) which governs the solicitation and acceptance of brokered deposits by insured depository institutions. The Bank shall comply with the restrictions on the effective yields on deposits as described in 12 C.F.R. § 337.6.

ASSET GROWTH

17. While this ORDER is in effect, the Bank shall notify the Supervisory Authorities at least 60 days prior to undertaking asset growth that exceeds 10 percent or more per annum or initiating material changes in asset or liability composition. In no event shall asset growth result in noncompliance with the capital maintenance provisions of this ORDER unless the Bank receives prior written approval from the Supervisory Authorities.

OTHER REAL ESTATE

18. (a) Within 90 days from the effective date of this ORDER, the Board shall develop a written policy for managing the Other Real Estate ("ORE") of the Bank. At a minimum, the policy shall provide for:

- (i) Establishment of a workout plan for each parcel of ORE in excess of \$400,000;
- (ii) Documentation that taxes and insurance premiums are paid in a timely manner;
- (iii) Resolution of documentation exceptions;
- (iv) A realistic and comprehensive budget for each parcel with a book value in excess of \$400,000, including projections of the Bank's carrying costs (e.g., upkeep, repairs, and insurance costs) and projections of the marketing costs;
- (v) An independent appraisal of each parcel at the time of foreclosure and periodically thereafter (but no more than 12 months from the date of the prior appraisal report);
- (vi) Each parcel of ORE to be listed with a real estate broker or otherwise made widely available for sale within an appropriate timeframe and at a realistic selling price;
- (vii) Periodic progress reports from each real estate broker marketing Bank ORE, including projected sales timeframes;
- (viii) Detailed monthly reports to the Board on the status of each ORE parcel in excess of \$400,000, with such reports made part of the Board meeting minutes; and

(ix) Requirements for accounting, documentation, resale terms, and action plans for the orderly liquidation of ORE from the Bank's books.

(b) The Bank shall submit an acceptable ORE policy to the Supervisory Authorities for review. The Bank shall approve the policy, which approval shall be recorded in the Board meeting minutes. Thereafter, the Bank shall implement and fully comply with the policy.

INVESTMENT POLICY

19. (a) Within 60 days from the effective date of this ORDER, and annually thereafter, the Board shall review the Bank's written investment policy for adequacy and shall make the necessary revisions to address the actual and contemplated condition of investments held to maturity and/or available for sale. At a minimum, the policy shall:

- (i) Address the exceptions noted in the Report;
- (ii) Be consistent with generally accepted accounting principles;
- (iii) Be consistent with the Bank's loan, liquidity, and funds management policies;
- (iv) Be consistent with the *Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities*, FIL-45-1998 (Apr. 28, 1998); and
- (v) Be consistent with the Federal Financial Institutions Examination Council ("FFIEC") *Instructions for Preparation of Consolidated Reports of Condition and Income (FFIEC 031 and 041)*, <http://www.ffiec.gov/>, under which the Bank shall properly segregate and account for trading account securities.

(b) The revised policy shall be acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations. The Bank shall implement and follow the policy.

AUDIT PROGRAM

20. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate internal routines and controls within the Bank consistent with safe and sound banking practices. Such policy and its implementation shall, at a minimum, eliminate and/or correct all internal routine and control deficiencies as more fully set forth in the Report and shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(b) Within 60 days from the effective date of this ORDER, the Bank shall initiate an external audit of its financial statements and operating procedures to be performed by a certified public accounting firm.

(c) During the life of this ORDER, the Bank shall provide the Supervisory Authorities with a copy of all external audit reports, management letters, and qualifications within 10 days from the Bank's receipt of such report(s). The Board shall address all findings of the external audit reports at its next regular meeting after receipt of the reports. Any action or inaction taken as a result of addressing the reports shall be noted in the minutes of the Board meeting with each individual member's vote recorded.

SPECIAL MENTION

21. Within 60 days from the effective date of this ORDER, the Bank shall correct the cited deficiencies in the loans listed for "Special Mention" in the Report.

CALL REPORTS

22. Within 30 days from the effective date of this ORDER, the Bank shall file with the FDIC amended Reports of Condition and Income that shall accurately reflect the financial condition of the Bank as of December 31, 2011. Thereafter, during the life of this ORDER, the Bank shall file with the FDIC Reports of Condition and Income that accurately reflect the financial condition of the Bank as of the end of the period for which the Reports are filed, including any adjustment in the Bank's books made necessary or appropriate as a consequence of any official Report of Examination of the Bank from the FDIC or the State Board during that reporting period.

BSA COMPLIANCE PLAN

23. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a written plan ("Compliance Plan") for administration of a program reasonably designed to ensure and maintain compliance with the law and regulations related to the BSA, subchapter II of Chapter 53 of Title 31 of the United States Code, and its implementing rules issued by the U.S. Department of Treasury, 31 C.F.R. Chapter X; the FDIC's BSA compliance regulations, 12 C.F.R. § 326.8, and the FDIC's suspicious activity report regulations, 12 C.F.R. Part 353 ("Part 353") (collectively, "BSA Rules"). The Bank shall submit the Compliance Plan to the FDIC for review and comment. Upon receipt of the FDIC's comments, if any, the Board shall review, approve, and implement the Compliance Plan. After the Board

has approved the Compliance Plan, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall take appropriate action to enable the Bank to comply with the BSA Rules. At a minimum, the Compliance Plan shall require the review, enhancement, or restatement, as appropriate of:

(i) A system of internal controls, including policies and procedures to detect and monitor all transactions to ensure compliance with the BSA Rules. Such controls shall specifically address the opening and monitoring of accounts with frequent wire and check activity, and the monitoring of high-risk and suspicious activities for all types of accounts, products, services, and geographic areas;

(ii) Procedures for the Bank's Customer Identification Program ("CIP") and account opening procedures as further required by paragraph 24 including, but not limited to: policies and procedures with respect to high-risk accounts and customers, including the adequacy of methods for identifying and conducting due diligence on high-risk accounts and customers at account opening and thereafter, and for monitoring high-risk customer relationships on a transaction basis as well as by account and customer. The Bank shall perform sufficient due diligence prior to opening new accounts that provides for collecting customers' identifying information, verifying customers' identification, maintaining identification records, and documenting and evaluating the BSA risk profile. The Compliance Plan shall establish standards for documentation of new accounts to capture sufficient data for customer due diligence, with specification of the time and responsibility for obtaining missing documentation;

(iii) Policies, procedures, and systems for identifying, evaluating, monitoring, investigating, and reporting suspicious activity, particularly including transactions involving high-risk customers or accounts, and/or high-risk jurisdictions, and the appropriateness of the

Bank's criteria for designating an account as high-risk and assessing the Bank's procedures and systems for identifying and monitoring customer transactions in accordance with the BSA Rules;

(iv) Policies and procedures regarding the identification, verification, monitoring, and reporting cash and wire transactions;

(v) Policies and procedures for monitoring currency transactions received from currency exchanges;

(vi) Policies and procedures for monitoring Automated Clearing House ("ACH") transactions;

(vii) The designation of a senior Bank official ("BSA Officer") responsible for coordinating and monitoring day-to-day compliance with the BSA Rules, and adequate, qualified staffing in the BSA area;

(viii) The Compliance Plan shall include a formal evaluation of the knowledge, capabilities, performance, and the sufficiency of the Bank's BSA staff for identifying transactions that pose greater than normal risk for compliance with BSA Rules, taking into account the findings of the Report, and factoring in the BSA staff performance, experience, and qualifications compared to their position descriptions, duties, and responsibilities, including responsibilities in other areas of the Bank. The evaluation shall be reviewed and approved by the Board;

(ix) Policies regarding trending reviews and the escalation procedures concerning customers with multiple suspicious activity report ("SAR") filings or protracted periods of suspicious activity that include a formal written account closing policy. The

Compliance Plan shall provide for adequate systems for account aggregation to ensure sufficient data to determine whether SARs and Currency Transaction Reports (“CTRs”) should be filed;

(x) Implementation of the recommendations in the Report for sufficient, qualified staff to assure compliance with the BSA Rules;

(xi) Independent annual testing for compliance with the BSA Rules in accordance with the procedures described in 12 C.F.R. § 326.8; and

(xii) Implementation of an appropriate training program for the Bank to assure that appropriate personnel are regularly trained to comply with the BSA Rules.

(b) The Bank shall at all times provide for the continued administration of the Compliance Plan designed to assure and monitor compliance with the BSA Rules.

CUSTOMER IDENTIFICATION PROGRAM

24. Within 60 days from the effective date of this ORDER, the Bank shall review, enhance, and implement its written CIP as required by 31 C.F.R. § 1020.100, which shall be appropriate for the Bank’s size and type of business, consistent with the requirements of the BSA Rules and which address the BSA criticisms enumerated in the Report. The Bank shall submit the CIP to the FDIC for review and comment. Upon receipt of the FDIC’s comments, if any, the Board shall review and approve the CIP. After the Board has approved the CIP, the review and approval shall be recorded in the minutes of the Board. Thereafter, the Bank shall implement the CIP.

RISK ASSESSMENT

25. Within 60 days from the effective date of this ORDER, the Board shall update the Bank's overall BSA risk assessment of the Bank's compliance with the BSA Rules to consider all major risks, including but not limited to products, services, types of customers, and geographic locations, with analysis of the major risk categories. The Board shall specify in the Compliance Plan how frequently the risk assessment will be updated or reassessed.

BSA AND AML POLICIES

26. Within 60 days from the effective date of this ORDER, the Board shall revise its BSA and Anti-Money Laundering ("AML") policies, procedures, and practices to provide for:

- (a) Methods of determining, reviewing, and validating risk ratings of customers, with standards for periodic reassessments;
- (b) Comprehensive monitoring of both high-risk accounts and cash intensive businesses, and upon written notice from the FDIC, full utilization of account monitoring software for all high-risk accounts and cash intensive businesses;
- (c) Adequate systems for account aggregation to ensure sufficient data to determine if SARs and CTRs should be filed;
- (d) Standards for documentation of new accounts, both to meet the minimum standards and to capture sufficient data for customer due diligence, with specification of the time and responsibility for obtaining missing documentation; and
- (e) Methods of enforcing the Bank's BSA and AML policies, procedures, and practices with consequences specified for noncompliance.

DUE DILIGENCE PROGRAM

27. Within 60 days from the effective date of this ORDER, the Bank shall review, enhance, and implement a written customer due diligence program (“Due Diligence Program”). At a minimum, the customer Due Diligence Program shall provide for a risk focused assessment of the customer base of the Bank to determine the appropriate level of Enhanced Due Diligence (“EDD”) necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank.

- (a) The Due Diligence Program shall provide for, at a minimum:
 - (i) Time limits for Bank personnel to respond to account activity exceptions;
 - (ii) Time limits for determining if exceptions require a SAR; and
 - (iii) Identification of customers requiring site visitations and frequency of visitations.
- (b) EDD shall include the following procedures:
 - (i) Determination of the appropriate documentation necessary to confirm the identity and business activity of the customer;
 - (ii) Understanding of the normal and expected transactions of the customer; and
 - (iii) Reasonably ensuring the identification and timely, accurate, and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and the Supervisory Authorities, as

required by the suspicious activity reporting provisions of 12 C.F.R. Part 353.

INTERNAL CONTROLS

28. Within 60 days from the effective date of this ORDER, and as acceptable to the FDIC, the Bank shall revise, adopt, and implement an enhanced system of internal routine and controls to enable the Bank to comply with the BSA Rules including, but not limited to, the monitoring of high-risk and suspicious activities for all types of accounts, customer products, services, and geographic areas.

BSA DIRECTORS' COMMITTEE

29. Within 60 days from the effective date of this ORDER, the Board shall establish a Board committee ("BSA Directors' Committee"), consisting of at least three members, to oversee the Bank's compliance with the BSA Rules and the BSA Compliance Plan. The BSA Directors' Committee shall receive from Bank management monthly reports detailing the Bank's actions with respect to compliance with the BSA Compliance Plan. The BSA Directors' Committee shall present a report detailing the Bank's adherence to the BSA Compliance Plan to the Board at each regularly scheduled Board meeting. Such report shall be recorded in the appropriate minutes of the Board's meeting and shall be retained in the Bank's records. Establishment of this committee does not in any way diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

30. Within 30 days from the end of the first quarter following the effective date of this ORDER, and within 30 days from the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports shall include a copy of the Bank's Consolidated Reports of Condition and of Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Supervisory Authorities has released the Bank in writing from making further reports. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the appropriate Board meeting minutes.

SHAREHOLDER DISCLOSURE

31. Following the effective date of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER, in conjunction with the earlier of the Bank's next shareholder communication or the notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Risk Management Supervision, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room MB-5073, Washington, D.C. 20429 and to the Commissioner of Banking, 1205 Pendleton Street, Suite 305, Columbia, South Carolina 29201, at least 15 days prior to dissemination to shareholders. Any changes requested by the Supervisory Authorities shall be made prior to dissemination of the description, communication, notice, or statement.

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, the State Board, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC.

Issued Pursuant to Delegated Authority

Dated: April 16, 2013

By:

/s/

Thomas J. Dujenski
Regional Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation

The Commissioner, having duly approved the foregoing ORDER on behalf of the State Board, and the Bank, through its Board, agree that the issuance of said ORDER by the FDIC Shall be binding as between the Bank and the State Board to the same degree and to the same legal effect that such ORDER would be binding if the State Board had issued a separate ORDER that included and incorporated all of the provision of the foregoing ORDER, pursuant to S.C. Code Ann. § 34-1-60 (1976).

Dated: April 16, 2013

/s/

Louie A. Jacobs
Commissioner of Banking
South Carolina Board of Financial Institutions