

AGREEMENT BY AND BETWEEN

Harrington Bank, FSB
Chapel Hill, North Carolina
and
The Comptroller of the Currency

Harrington Bank, FSB, Chapel Hill, North Carolina (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to asset quality, credit risk management, budgeting processes and capital planning and a violation of law pertaining to 12 C.F.R. § 162.1 at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

This Agreement supersedes and terminates the Cease and Desist Order entered into by and between the Bank and the Office of Thrift Supervision (OTS) on November 23, 2010.

ARTICLE I
JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 163.555. See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller and the following restrictions shall apply:

- (a) The Bank is required to notify the OCC of the proposed addition of any individual to the board of directors or the employment of any individual as a senior executive officer at least thirty (30) days before such addition or employment becomes effective, as required by the 12 C.F.R. § 163.560 and 12 U.S.C. § 1831i.
- (b) The Bank is restricted from making any “golden parachute payment” (including severance payments and agreements relating thereto), within the meaning and subject to the restrictions of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359, except as may be permitted under the above-mentioned statute and regulation.
- (c) The Bank shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 163.141, without first

filing an application pursuant to 12 C.F.R. § 163.143(a) and receiving the prior written approval of the Assistant Deputy Comptroller.

(d) The Bank will not qualify for expedited treatment for applications and notices filed with the OCC. See 12 C.F.R. § 116.5.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

David L. Payne
Assistant Deputy Comptroller
Carolinas Field Office
212 South Tryon Street, Suite 700
Charlotte, North Carolina 28281

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least quarterly.

(3) Within ninety (90) days of the date of this Agreement and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement; and
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within ninety (90) days, the Board shall ensure that the Bank has competent management and adequate staffing in place on a full-time basis in its credit risk and lending areas as well as all executive officer positions, including but not limited to the President, Chief Lending Officer, Chief Financial Officer, and Controller positions: to identify, monitor, and manage the level of risk in the Bank's loan portfolio; to carry out the Board's policies; to ensure compliance with this Agreement, applicable laws, rules and regulations; and to manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within ninety (90) days, the Board shall review the capabilities of the Bank's Chairman of the Board, management and lending staff to perform present and anticipated duties and the Board will determine whether management and staffing or position changes will be made, including the need for additions to or deletions from current management and staffing in the credit risk and lending areas of the Bank.

(3) If the Board determines that an individual will continue in his/her position but that the individual's depth of skills needs improvement, the Board will within ninety (90) days develop and implement a written program, with specific time frames, to improve the individual's skills. At a minimum the written program shall include:

- (a) a program to improve the effectiveness of the individual in performance of his/her duties;
- (b) objectives by which the officer's effectiveness will be measured; and
- (c) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

(4) Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(5) If a position mentioned in Paragraph (1) of this Article is vacant now or in the future, including if the Board realigns an existing individual's responsibilities and a position mentioned in Paragraph (1) of this Article becomes vacant, and the Board determines that this position vacancy shall be filled, the Board shall appoint a capable person to the vacant position who shall have the knowledge, skills and expertise in credit risk, lending, and operations to ensure the Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(6) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the “Changes in Directors and Senior Executive Officers” and “Background Investigations” booklets of the Comptroller’s Licensing Manual, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(7) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(8) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

ARTICLE IV

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Comptroller’s Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets

criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;
- (e) quarterly targets and strategies to reduce the level of non-performing assets; and
- (f) detailed written workout plans for all criticized asset relationships equal to or exceeding five hundred thousand dollars (\$500,000).

(3) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds five hundred thousand dollars (\$500,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(7) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the Comptroller's Examiners during any examination and whose aggregate loans or other extensions equal or exceed five hundred thousand (\$500,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE V

PROBLEM LOAN IDENTIFICATION AND LOAN REVIEW

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's credit risk and problem loan identification process. The program shall include, but not be limited to:

- (a) credit risk rating definitions consistent with applicable regulatory guidance, including income accrual status;
- (b) procedures to ensure accurate and timely risk grades for commercial and retail credits, including loss recognition and identification of nonaccrual loans and troubled debt restructures;
- (c) procedures for early problem loan identification;
- (d) procedures to document support for ratings and accrual calls, including global cash flow analyses;
- (e) establishing loan officer and credit administration accountability for failure to assign accurate and timely risk grades on loans, including recognition of nonaccrual status, under their respective supervision; and
- (f) implementation of an effective training program for all lending staff.

(2) Within ninety (90) days, the Board shall establish an effective, independent and on-going loan review program to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification, categorization, and classification of problem assets in

accordance with 12 C.F.R. § 160.160 (Asset Classification). The program shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in the “Rating Credit Risk” and “Allowance for Loan and Lease Losses” booklets of the Comptroller’s Handbook. Such reports shall include, at a minimum, conclusions regarding:

- (a) the overall quality of the loan and lease portfolio;
- (b) the identification, type, rating, and amount of problem loans and leases, including nonaccrual loans;
- (c) identification, rating, and reporting of troubled debt restructures;
- (d) the identification and amount of delinquent loans and leases;
- (e) credit and collateral documentation exceptions;
- (f) the identification and status of credit related violations of law, rule or regulation;
- (g) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (f) of the Article;
- (h) concentrations of credit;
- (i) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (j) loans and leases not in conformance with the Bank’s lending and leasing policies.

(3) Within ninety (90) days, the Board shall employ a sufficiently experienced and qualified person(s) or external loan review firm to conduct the quarterly loan review outlined in Paragraph (2) of this Article.

(4) The Board shall evaluate the Bank's external loan review program to ensure objectives are met, and the scope, quality, and timelines for identification, categorization, and classification of problem assets are adequate.

(5) The Board shall evaluate the loan review report(s) generated pursuant to Paragraph 2 of this Article and ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(6) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem assets, shall be preserved in the Bank.

(7) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within ninety (90) days, the Board shall review and revise the adequacy of the Bank's Allowance for Loan and Lease Losses ("ALLL" or "Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the guidance on maintaining a proper Allowance found in OCC Bulletin 2006-47 and in the *Interagency Policy Statement on the Allowance for Loan and Lease Losses* dated December 13, 2006; and the guidance of OCC Bulletin 2012-6 and the *Interagency Guidance on Allowance for Loan and Lease Losses (ALLL) Estimation Practices for Junior Liens* dated January 31, 2012; and accounting guidance of Generally Accepted Accounting Principles (GAAP), and shall focus particular attention on the following factors:

- (a) maintaining an allowance that is consistent with the Bank's risk profile;
- (b) ensuring accurate and timely problem loan and non-accrual recognition;
- (c) developing alternative methods to capture changing credit risk characteristics in the portfolio;
- (d) conducting an analysis of the junior lien home equity portfolio;
- (e) obtaining current appraisals or conducting independent evaluations to ensure the impairment allocations for collateral dependent commercial real estate loans are accurate and well supported;
- (f) ensuring impaired portions of collateral dependent commercial real estate loans are charged off in a timely manner; and
- (g) ensuring an appropriate allowance estimate for junior liens following the guidance of OCC Bulletin 2012-6.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income (CALL Report), by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VII

INTERNAL APPRAISAL REVIEW

(1) Within ninety (90) days, the Board shall revise, adopt, implement, and thereafter ensure Bank adherence to a written program to oversee the Bank's real estate appraisal evaluation and appraisal review process in accordance with 12 C.F.R. Part 164 and the guidance of OCC Bulletin 2010-42, *Interagency Appraisal and Evaluation Guidelines* dated December 10, 2010 . The program shall include, but not be limited to:

- (a) an updated written appraisal review policy consistent with regulatory and accounting guidance;
- (b) a process to ensure appraisals are current for all collateral-dependent problem loans and support the ASC 310-10 impairment analyses;
- (c) a process to acquire current appraisals and valuations for properties in other real estate owned (OREO) to ensure credit losses are recognized in a timely manner; and
- (d) a process to ensure evaluations contain appropriate analysis, assumptions, and conclusions to support the value and comply with OCC Bulletin 2010-42.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VIII

LOAN EXCEPTION TRACKING

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program and systems which provide for effective monitoring, and reporting of loan exceptions in the Bank's loan portfolio. The program shall include, but not be limited to monitoring and reporting the following exceptions in the loan portfolio:

- (a) credit exceptions;
- (b) collateral exceptions;
- (c) policy exceptions
- (d) underwriting exceptions;
- (e) exceptions by loan type;
- (f) exceptions by loan officer; and
- (g) documentation exceptions.

(2) On a quarterly basis, management shall provide the Board with written reports of exceptions including, at a minimum, the following information:

- (a) the identification, type and number of loan exceptions in the portfolio;
- (b) a summary of all uncorrected or compounded exceptions from previous quarters; and
- (c) a status of all actions taken to remediate any loan exceptions identified in previous quarters.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

ARTICLE IX
CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall immediately achieve and thereafter maintain the following capital ratios as defined in 12 C.F.R. Parts 165 and 167:

(a) Tier 1 Capital to adjusted total assets ratio (leverage ratio) at least equal to eight percent (8%); and

(b) Total Risk Based Capital ratio at least equal to twelve percent (12%).

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165, pursuant to 12 C.F.R. § 165.4(b)(1)(iv).

(3) Within ninety (90) days of the date of this Agreement, the Board shall revise the current internal capital plan and shall implement an effective internal capital planning process that assesses the Bank’s capital adequacy in relation to its overall risks and ensures maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph one (1) of this Article. The capital plan shall be consistent with OCC Bulletin 2012-16, *Guidance for Evaluating Capital Planning and Adequacy* dated June 7, 2012, and shall ensure the integrity, objectivity, and consistency of the process through adequate governance.

(4) Prior to adoption by the Board, a copy of the Bank's revised written capital plan shall be submitted to the Assistant Deputy Comptroller for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan at least annually and more frequently if required by the Assistant Deputy Comptroller in writing. Within ten (10) days following receipt of the Assistant Deputy Comptroller’s written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board

review and ongoing monitoring) shall implement and thereafter ensure adherence to the written Capital Plan and any amendments or revisions thereto.

(5) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the capital plan. The evaluation shall include an assessment of the adequacy of capital ratios relative to the risk profile of the bank and include a description of the actions the Board will require the Bank to take to address any deficiencies.

(6) The Board's review and preparation of the written evaluation shall be documented in the Board meeting minutes. The Board shall forward a copy of these quarterly written evaluations and Board meeting minutes to the Assistant Deputy Comptroller within ten (10) days of completion of its written evaluation.

(7) If the Bank fails to maintain capital ratios required by paragraph one (1) of this Article, or fails to develop or implement a written Capital Plan to which the Assistant Deputy Comptroller has provided a written determination of no supervisory objection, then the Bank may, in the Assistant Deputy Comptroller's sole discretion, be deemed undercapitalized for purposes of this Agreement. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 165. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank's capital to the minimum ratios required by paragraph one (1) of this Article, and any other action deemed necessary by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

(8) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the Capital Plan developed pursuant to this Article.

ARTICLE X
PROFIT PLAN

(1) Within ninety (90) days, the Board shall revise, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank.

This plan shall include, at minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
- (b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (c) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (d) a description of the operating assumptions, and support for such assumptions, that form the basis for major projected income and expense components.

(2) The budgets and related documents required in paragraph (1) above for year 2013 shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (1) above for each year this Agreement remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE XI
VIOLATIONS OF LAW – REGULATORY REPORTING

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects the violation of law, rule or regulation cited in the Report of Examination (ROE) related to a violation of 12 C.F.R. § 162.1 (Regulatory Reports).

(2) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE XII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/

David L. Payne
Assistant Deputy Comptroller
Charlotte Field Office

12/17/2012

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/

Jennifer Conrad

12/17/2012

Date

/s/

Matthew E. Czajkowski

12/17/2012

Date

/s/

Michael J. Giarla

12/17/2012

Date

/s/

Lawrence Loeser

12/17/2012

Date

/s/

John R. McAdams

12/17/2012

Date

/s/

Alexander T. Arapoglou

12/17/2012

Date

APPENDIX A
Harrington Bank, FSA
Chapel Hill, North Carolina

CRITICIZED ASSET REPORT AS OF: _____

BORROWER(S): _____

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ _____ CRITICISM _____

AMOUNT CHARGED OFF TO DATE _____

FUTURE POTENTIAL CHARGE-OFF _____

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds _____ dollars (\$) and retain the original in the credit file for review by the examiners. Submit your reports (monthly/quarterly) until notified otherwise, in writing, by the Assistant Deputy Comptroller.