

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 31<sup>st</sup> day of December, 1991, by and between Weldon Wyatt ("Controlling Person"), and the Office of Thrift Supervision ("OTS"), acting through its Southeast Regional Director or his designee ("Regional Director").

WHEREAS, the OTS is of the opinion that in connection with his Notice of Change in Control to acquire control of PALFED, Inc. ("Palfed"), the unitary holding company of Palmetto Federal Savings Bank, Aiken, South Carolina, OTS No. 5495, ("Palmetto"), the Controlling Person violated a condition imposed in writing in connection with the granting by OTS of a notice of intention not to disapprove the acquisition pursuant to the Change in Savings and Loan Control Act, 12 U.S.C. § 1730(q) (1988), and the regulations promulgated thereunder at 12 C.F.R. Part 574 ("Part 574"); and

WHEREAS, the OTS is of the opinion that these violations constitute grounds to initiate administrative proceedings against the Controlling Person pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (1988 & Supp. I 1989); and

WHEREAS, the Controlling Person, in the interest of regulatory compliance and cooperation and without admitting or denying any violation of law, regulation or policy, is willing to enter into this Agreement to avoid the initiation of such administrative proceedings on the matters covered by this Agreement; and

WHEREAS, the OTS is willing to forebear from the initiation of such administrative proceedings against the Controlling Person on the matters covered by this Agreement for so long as the Controlling Person is in compliance with the provisions of this Agreement; and

WHEREAS, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement action, on matters not specifically covered by this Agreement, that the OTS considers appropriate under the circumstances.

NOW, THEREFORE, in consideration of the above-stated forbearance, it is agreed among the parties hereto as follows:

1. The Controlling Person shall not increase or attempt to increase, directly or indirectly, his ownership of any class of voting stock of Palfed unless and until he has repaid all loans from Palmetto on which he is the primary borrower or guarantor.
2. In the event that the ongoing litigation regarding the ability of the Controlling Person to vote the stock of Palfed is resolved in his favor, the Controlling Person shall, by written letter, direct the Corporate Secretary of Palfed to vote all of his shares of Palfed stock on a pro rata basis in accordance with the votes of other non-affiliated stockholders of Palfed. The Controlling Person's Palfed stock shall continue to be voted in this manner until he has repaid all loans from or deficiency judgments entered in favor of Palmetto on which he is the primary borrower or guarantor or until he has reduced his ownership and control of Palfed stock to 9.9%, or less, of the outstanding stock of Palfed.
3. As of the effective date of this Agreement, the Controlling Person shall not exercise or attempt to exercise, either directly or indirectly, control or a controlling influence over Palfed or Palmetto unless and until the requirements of Paragraphs 1,2 and 4 of this agreement have been met. Specifically the Controlling Person shall not:
  - i. seek or accept representation on the board of directors of Palfed or Palmetto;
  - ii. have or seek to have any representative serve as the chairman of the board of directors, or chairman of an executive or similar committee of Palfed's or Palmetto's board of directors or as president or chief executive officer; or
  - iii. solicit proxies or participate in any solicitation of proxies with respect to any matter presented to the stockholders of Palfed;
4. The Controlling Person shall exercise his best efforts to reduce his aggregate ownership or control of Palfed stock to or below 9.9%. The Controlling Person shall also exercise his best efforts to repay all loans to Palmetto, and perform under any guarantees issued to Palmetto or deficiency judgments entered in Palmetto's favor.
5. The Controlling Person shall comply at all times with the provisions of 12 C.F.R. Part 574.

All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations shall have meanings that accord with the best custom and usage in the savings and loan industry. For purposes of this Agreement, references to regulations, bulletins, memoranda, and publications shall include any successor regulations, bulletins, memoranda, and publications.

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Controlling Person. It is understood and agreed that this Agreement is a "written agreement entered into with the agency" as that phrase is used in Section 8(b)(1) of the FDIA, 12 U.S.C. § 1818(b)(1).

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director. The Regional Director may suspend, in his sole discretion, any or all provisions of this Agreement.

IN WITNESS WHEREOF, the Controlling Person and the OTS, acting through the Regional Director, have executed this Agreement.

By: ISI  
Weldon Wyatt

Date: 12-30-91

OFFICE OF THRIFT SUPERVISION

By: ISI  
John E. Ryan  
Regional Director