

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 23rd day of October, 1992 (the "effective date"), by and between Gasper L. Toole, III, Mary D. Toole, Mary Diane T. Miller, G. Loren Toole, IV, Sara T. Beeland, Cecil H. Beeland, Margery T. Smoak, Robert A. Smoak, Eleanor T. Going, Betty M. Toole, Betty T. Symonds, Frampton W. Toole, Jr., Frampton W. Toole, III, Sharon R. Toole, Frampton W. Toole, IV, and Robert R. Toole, (hereinafter the "Toole Group") 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 grounds exist to initiate administrative proceedings against the Toole Group pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. §1818(b) (West 1989 & Supp. 1992); and,

WHEREAS, in the interest of regulatory compliance and cooperation, the Toole Group, without admitting or denying that they have violated certain of the laws or regulations to which they are subject, are 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 forbear from the initiation of such administrative proceedings against the Toole Group to require the actions specifically covered by this Agreement for so long as the Toole Group is in compliance with the provisions of the Agreement that pertain to such actions; and,

WHEREAS, it is understood by the parties that execution of this Agreement does not preclude the OTS from taking further supervisory or enforcement measures 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 between the parties hereto as follows:

- 1. The Toole Group shall not, as of the effective date of this Agreement, increase their ownership in any class of voting securities of Security Federal Corporation, Aiken, South Carolina, OTS No. H-1130 ("SFC"), unless and until the OTS has issued notice of intent not to disapprove their Notice of Change in Control. However, members of the Toole Group may, at any time, purchase additional shares of stock from other members of the Toole Group

or any corporate or partnership entities that are owned or controlled by a member of Toole Group, if those shares were owned by the selling member of the Toole Group on December 31, 1991.

2. Simultaneously with the execution of this Agreement, the Toole Group, in conjunction with any corporate or partnership entities owned by a member of the Toole Group that continue, as of the effective date of this Agreement, to own shares of the stock of SFC, shall file a complete Notice of Change in Control with regard to SFC with the appropriate OTS offices.

3. The Toole Group shall comply with the provisions of §7(j) of the FDIA, 12 U.S.C.A. §1817(j) (West 1989 and Supp. 1992) and 12 C.F.R. Parts 563b and 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. 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 statutes, regulations, bulletins, memoranda and publications shall include any successor statutes, 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 Gasper L. Toole, III, Mary D. Toole, Mary Diane T. Miller, G. Loren Toole, IV, Sara T. Beeland, Cecil H. Beeland, Margery T. Smoak, Robert A. Smoak, Eleanor T. Going, Betty M. Toole, Betty T. Symonds, Frampton W. Toole, Jr., Frampton W. Toole, III, Sharon R. Toole, Frampton W. Toole, IV, and Robert R. Toole. 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).

Any time limitations imposed herein shall begin to run from the effective date hereof, except as otherwise specifically stated in this Agreement. Such time limitations may be extended by the Regional Director, in his sole discretion, for good cause shown upon written application.

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. It is understood that the execution of this Agreement shall not be construed as an approval of any

application or notice that is contemplated or has been filed by the Toole Group. In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director.

IN WITNESS WHEREOF, the OTS, acting through the Regional Director, and the Toole Group have executed this Agreement on the date first above written.

By: 151
Gasper L. Toole, III

By: 151
Mary Diane T. Miller

By: 151
Sara T. Beeland

By: 151
Margery A. Smoak

By: 151
Eleanor T. Going

By: 151
Betty T. Symonds

By: 151
Frampton W. Toole, III,

By: 151
For Frampton W. Toole, IV

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By: 151
Mary D. Toole

By: 151
G. Loren Toole, IV

By: 151
Cecil H. Beeland,

By: 151
Robert A. Smoak

By: 151
Betty M. Toole

By: 151
Frampton W. Toole, Jr.

By: 151
Sharon R. Toole,

By: 151
Robert R. Toole

OFFICE OF THRIFT SUPERVISION

By: 151
John E. Ryan
Regional Director