

SOUTHEASTERN BANKING CORP  
Form DEF 14A  
April 29, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant                       Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**SOUTHEASTERN BANKING CORPORATION**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

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3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4. Proposed maximum aggregate value of transaction:

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1. Amount Previously Paid:

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2. Form, Schedule or Registration Statement No.:

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3. Filing Party:

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4. Date Filed:

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**1010 North Way Street**

**Darien, Georgia 31305**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

*To the Shareholders of*

*Southeastern Banking Corporation:*

The Annual Meeting of Shareholders (the Meeting) of Southeastern Banking Corporation (the Company) will be held at Southeastern Bank, 15 Trade Street, Brunswick, Georgia 31525, on Wednesday, May 13, 2009 at 3:00 p.m. local time, for the following purposes:

- 1) To elect six directors nominated by the Board of Directors (the Board) to serve for one-year terms expiring at the next Annual Meeting of Shareholders in 2010 or until their respective successors have been elected and qualified;
- 2) To set the Board at a nine member maximum with three to remain vacant until the elected Board deems it in the Company's best interest to fill one or more of such vacancies;
- 3) To approve the appointment of independent auditors by the Audit Committee for the fiscal year 2009; and
- 4) To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board is not aware of any other business to come before the Meeting.

Any action may be taken on the foregoing proposals at the Meeting on the date specified above, or on any date or dates to which the Meeting may be adjourned or postponed. Only shareholders of record at the close of business on April 1, 2009 will be entitled to notice of and to vote at the Meeting or any adjournment or postponement thereof.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 13, 2009:** The Company's Proxy Statement, Summary Annual Report, and Form 10-K are available at [www.cfpproxy.com/5022](http://www.cfpproxy.com/5022).

It is important that your shares be represented and voted at the Meeting. You can vote your shares by completing and returning the enclosed proxy card. **Regardless of the number of shares you own, your vote is important. Please act today.**

Your attention is directed to the attached Proxy Statement for more complete information regarding the matters to be acted upon at the Meeting.

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By Order of the Board of Directors,

/s/ Wanda D. Pitts

WANDA D. PITTS, Secretary

April 23, 2009

**IMPORTANT: Whether or not you plan to attend the Meeting, please complete, sign, date, and return the enclosed proxy as soon as possible in the postage paid envelope provided. The giving of the proxy will not affect your right to vote at the Meeting if the proxy is revoked as set forth in the attached Proxy Statement.**

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**SOUTHEASTERN BANKING CORPORATION**

**1010 North Way Street**

**Darien, Georgia 31305**

**912.437.4141**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON WEDNESDAY, MAY 13, 2009**

The enclosed proxy is solicited on behalf of the Board of Directors (the Board) of Southeastern Banking Corporation (the Company) in connection with the Annual Meeting of Shareholders of the Company (the Meeting) to be held at Southeastern Bank, 15 Trade Street, Brunswick, Georgia, on Wednesday, May 13, 2009 at 3:00 p.m. or any adjournment or postponement thereof. This Proxy Statement and the enclosed proxy are first being mailed to shareholders on or about April 23, 2009.

All shares of the Company's Common Stock, par value \$1.25 per share (the Common Stock), represented at the Meeting by properly authorized proxies received prior to or at the Meeting, and not revoked, will be voted at the Meeting in accordance with the shareholder's instructions. **If no instructions are indicated, properly executed proxies will be voted FOR the proposals set forth in this Proxy Statement.**

The Company does not know of any matters, other than described in the Notice of Meeting, that are to come before the Meeting. If any other matters are properly presented at the Meeting for action, the persons named in the enclosed form of proxy and acting thereunder will vote on such matters as the Board recommends.

A shareholder may revoke his or her proxy and change his or her vote at any time prior to the voting thereof on any matter (without, however, affecting any vote taken prior to such revocation) by: (i) signing and returning another proxy with a later date; (ii) giving written notice of revocation of the shareholder's proxy to the Secretary of the Company prior to the Meeting at the address below; or (iii) voting in person at the Meeting. Any written notice revoking a proxy should be delivered to Wanda D. Pitts, Secretary, Southeastern Banking Corporation, at P.O. Box 455, Darien, Georgia 31305, if by mail, and at 1010 North Way Street, Darien, Georgia 31305, if by courier. The presence of a shareholder at the Meeting will not automatically revoke such shareholder's proxy.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 13, 2009:** The Company's Proxy Statement, Summary Annual Report, and Form 10-K are available at [www.cfpproxy.com/5022](http://www.cfpproxy.com/5022).

**VOTING SECURITIES AND PRINCIPAL HOLDERS**

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Shareholders of record at the close of business on April 1, 2009 will be entitled to one vote for each share then held. As of April 1, 2009, the Company had 3,158,331 shares of Common Stock outstanding. The Common Stock constitutes the only voting securities issued by the Company.

A majority of the shares entitled to vote constitutes a quorum at a meeting of the shareholders. If a quorum is present, the vote of a plurality of the votes cast by the shares entitled to vote is necessary for the election of directors. The presence of a quorum, either in person or by proxy, and the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Meeting are required to take most other actions.



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If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee (the record holder) along with a voting instruction card. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions.

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee has not received voting instructions from the beneficial owner and does not have discretionary voting power with respect to that item. Broker non-votes will not be considered for purposes of determining whether a quorum is present or affect the outcome of any proposals presented.

The following table sets forth the number and percent of shares of Common Stock beneficially owned as of April 1, 2009 by: (i) each director, nominee, and executive officer (as defined below under Executive Compensation); (ii) all directors, nominees, and executive officers as a group; and (iii) each person known by the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock (principal shareholder). Except as otherwise indicated in the footnotes to the table, the Company believes that the individuals listed each have sole voting and investment power with respect to such shares.

Unless otherwise indicated below, the business address of each beneficial owner of more than 5% of Common Stock is: c/o Southeastern Banking Corporation, P.O. Box 455, 1010 North Way Street, Darien, Georgia 31305.

| Name of Beneficial Owner   | Total<br>Beneficial<br>Ownership <sup>(1)</sup> | Percent<br>of<br>Ownership | Includes<br>Options<br>Exercisable<br>within 60<br>Days <sup>(2)</sup> |
|--|---|----------------------------|--|
| <i>Directors, Nominees, and Executive Officers:</i>                    |   |                            |  |
| Alyson G. Beasley <sup>(3)</sup>                                       | 826,919   | 26.18                      |  |
| Leslie H. Blair <sup>(4)</sup>   | 8,340   | *                          |  |
| David H. Bluestein <sup>(5)</sup>                                      | 17,700  | *                          |  |
| Cornelius P. Holland, III <sup>(6)</sup>                               | 9,456   | *                          |  |
| Alva J. Hopkins, III <sup>(7)</sup>                                    | 34,398  | 1.09                       |  |
| John C. Houser   | 100   | *                          |  |
| A. Wade Strickland <sup>(8)</sup>                                      | 10,105  | *                          |  |
| All Directors, Nominees, and Executive Officers as a group (7 persons) | 907,018   | 28.72                      |  |
| <i>Other Principal Shareholder(s):</i>                                 |   |                            |  |
| William Downey <sup>(9)</sup>  | 183,414   | 5.81                       |  |

\* Less than 1% of outstanding shares of Common Stock.

- (1) Based on 3,158,331 shares of Common Stock outstanding on April 1, 2009. The Company does not have any stock options exercisable within 60 days includible in this total.
- (2) Pursuant to Securities and Exchange (SEC) Rule 13d-3, persons are deemed to beneficially own shares that are the subject of stock options exercisable within 60 days. The Company first granted incentive stock options in July 2008; as these options will not become exercisable until July 2009 due to vesting requirements, no amounts are shown in this column. Non-employee directors of the Company are not eligible for stock option grants under the current program.
- (3) Includes 594,141 shares held in trust for the estate of Ms. Beasley's father, 111,000 shares held in trust for the estate of Ms. Beasley's mother, and 13,119 shares held in trust for the estate of Ms. Beasley's grandmother. Also includes 34,566 shares held in trust for her uncle.
- (4) Includes 3,000 shares owned by Mr. Blair's spouse, who has sole voting and investment power over such shares.

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- (5) Includes 3,045 shares owned by Mr. Bluestein's spouse, who has sole voting and investment power over such shares.
- (6) Includes 1,542 shares owned by Mr. Holland's spouse, for which Mr. Holland disclaims beneficial ownership. Mr. Holland shares voting and investment power with respect to 280 shares.
- (7) Includes 1,980 shares owned by Mr. Hopkins's spouse, who has sole voting and investment power over such shares.
- (8) Includes 2,565 shares owned by Mr. Strickland's spouse, who has sole voting and investment power over such shares.
- (9) Includes 29,700 shares owned by Mr. Downey's spouse, who has sole voting and investment power over such shares. Also includes 1,300 shares in a family-affiliated company of which Mr. Downey is manager. Mr. Downey's business address is: c/o Golden Isles Realty Company, Inc., 330 Mallory Street, St. Simons Island, Georgia 31522. Mr. Downey serves as a consultant to the Company and received \$2,800 for services rendered in 2008.

**PROPOSALS ONE AND TWO - ELECTION OF DIRECTORS**

A Board consisting initially of six directors will be elected at the Meeting for one-year terms expiring at the next Annual Meeting of Shareholders in 2010 or until their successors are elected and qualified. The Board has unanimously approved the nominees named below, all of whom are members of the current Board.

Unless otherwise instructed, it is the intention of the persons named in the accompanying form of proxy to vote for the election of the six nominees named. If, at the time of the Meeting, any of the nominees should be unable or unwilling to serve, the proxies are authorized to vote for such substitute nominee, or nominees, as the Board recommends. The Board has no reason to believe any nominee will be unavailable to serve as a director. Except as disclosed in this Proxy Statement, there are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was selected. Additionally, other than those nominees employed by the Company, all nominees are independent as defined by Rules of the National Association of Securities Dealers, Inc. ( NASD ). In determining a director's independence, the Board pays particular attention to a director's affiliation with management and any credit relationships that may exist with the director or a related interest. Transactions with directors and related persons are further discussed on page 20.

None of the nominees has been involved in legal proceedings related to bankruptcies, criminal proceedings, or securities law violations. All nominees have been engaged in their respective principal occupation and have been associated with their respective employers for the last five years.

No other persons were nominated. Therefore, you may not vote your proxy for the election of a person to fill a directorship who is not named in this Proxy Statement. Directors are elected to serve only one-year terms; accordingly, all directors will be subject to re-election at the next Annual Meeting.

**THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR ALL NOMINEES.**

**Nominees for Directorship**

The table on the next page sets forth certain information with respect to each nominee for election to the Board. Except for Mr. Holland and Ms. Beasley, none of the nominees or directors is employed by the Company or its bank subsidiary.

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| <b>Name and Principal Occupation</b>  | <b>Age</b> | <b>Director Since</b> |
|---|------------|-----------------------|
| Alyson G. Beasley<br><i>Vice President and Treasurer of the Company</i><br><i>Controller, Southeastern Bank</i>   | 41         | 1999                  |
| <i>Treasurer, SBC Financial Services, Inc. (inactive)</i><br>Leslie H. Blair<br><i>Vice President, Gowen Timber Company, Inc.</i>                           | 69         | 1978                  |
| David H. Bluestein<br><i>Retired, Bluestein's Supermarket, Inc.</i>   | 67         | 1984                  |
| Cornelius P. Holland, III<br><i>President and Chief Executive Officer of the Company</i><br><i>President and Chief Executive Officer, Southeastern Bank</i> | 53         | 1997                  |
| <i>President, SBC Financial Services, Inc. (inactive)</i><br>Alva J. Hopkins, III<br><i>President, Toledo Manufacturing Company, Inc.</i>                   | 56         | 1978                  |
| A. Wade Strickland, M.D. <sup>(1)</sup><br><i>Cardiologist, Jones, Strickland &amp; Certain</i>   | 70         | 2005                  |

(1) In accordance with age provisions in the Company's Bylaws, Dr. Strickland will be ineligible for nomination in 2010. There are no family relationships among the Director nominees, executive officers, or principal shareholders of the Company. All directors have served continuously since their respective election. The Company's Bylaws require directors to retire from the Board the year following their 70<sup>th</sup> birthday unless an officer of the Company, in which case retirement can be deferred until such director no longer serves as an officer.

Approval is sought to increase the number of directors to nine by allowing the six elected directors to approve three additional directors to be elected at any time the Board deems it to be in the Company's best interest to fill same.

**THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE TO SET THE NUMBER OF  
DIRECTORS AT NINE.**

**Meetings and Committees of the Board**

The Board conducts its business through meetings of the Board and through the activities of its committees, including subsidiary Boards and committees. The Company's Board regularly meets quarterly and other times as needed. During the year ended December 31, 2008, the Board held 5 meetings. Except for Mr. Hopkins, all the Company's directors attended at least 75% of Board and committee meetings, including active subsidiary Board and committee meetings, on which they served. Mr. Hopkins attended all Company Board, subsidiary Board, and Compensation Committee meetings but only 67% of Audit Committee meetings in 2008.

The Executive Committee of the Board consists of Messrs. Bluestein, Holland, Hopkins and Ms. Beasley. This committee evaluates potential acquisitions and handles other Company matters on an as-needed basis between Board meetings. The committee can exercise the authority of the

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full Board, except it cannot approve or propose to shareholders any action that lawfully must be approved by shareholders; fill

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vacancies on the Board or any committee; amend the Articles of Incorporation; adopt, amend, or repeal the Bylaws; or approve a dissolution, merger, or sale of all or substantially all of the Company's assets. The Executive Committee held one meeting during 2008.

The Board of Southeastern Bank, the Company's bank subsidiary, meets monthly, and its Executive Committee, normally once a month. All members of the Company's Board also serve on the Southeastern Bank Board. The Southeastern Bank Board held 12 meetings during 2008. Messrs. Blair, Bluestein, and Holland also serve on the Southeastern Bank Executive Committee. This committee primarily reviews and approves loans but is also empowered to act on other bank matters in the absence of the bank Board. The Southeastern Bank Executive Committee held 12 meetings in 2008.

Messrs. Hopkins and Bluestein and bank-only director Jerry W. Harper, all of whom are considered independent under NASD rules, are the only members of the joint Audit Committee of the Company and Southeastern Bank. The Audit Committee appoints, compensates, retains, and directly oversees the work of the Company's independent auditors subject to shareholder ratification. The Audit Committee is charged with monitoring the integrity of the Company's financial statements; the independence and qualifications of its independent auditors; the Company's system of internal controls; the performance of the Company's internal audit process and independent auditors; and the Company's compliance with laws, regulations, and codes of conduct. The Audit Committee also resolves any disagreements between management and the auditors regarding financial reporting. It pre-approves all audit services and permitted non-audit services provided to the Company by its independent auditors. It also performs other related duties as defined in its written charter, a copy of which is located on the bank subsidiary website at [www.southeasternbank.com](http://www.southeasternbank.com) or available in print to any shareholder upon request to the Secretary, Southeastern Banking Corporation, P.O. Box 455, Darien, GA 31305. The Board has determined that Mr. Harper meets the definition of Audit Committee financial expert for the joint Committee as defined by the SEC's rules and regulations. The Audit Committee Report on the Company's financial statements for the year ended December 31, 2008 is located on page 19. The Audit Committee held 6 meetings in 2008.

The Compensation Committee of Southeastern Bank is responsible for approving the compensation arrangements for the Company's executive officers. It is also responsible for oversight and administration of the 2006 Stock Option Plan (the Stock Option Plan), the Employee Profit-Sharing Plan (the Profit-Sharing Plan), and various other employee benefits, as discussed further below. The committee also performs other ancillary duties. The current members of the Compensation Committee are Messrs. Bluestein, Holland, Hopkins, and Strickland. Mr. Holland is a non-voting member of the Committee. The Compensation Committee held 2 meetings during 2008.

The Nominating Committee advises the Board with respect to matters of Board composition and procedures. The committee does not have a charter formally governing the nomination process. To date, all director nominees have been identified by current directors or management. The Company has never engaged a third party to identify director candidates, and the Company has never received a proposed director candidate from a source outside the Company. However, the Board would consider any director candidate proposed in good faith by a shareholder of the Company. To do so, a shareholder should send the candidate's name, credentials, contact information, and his or her consent to be considered as a candidate to the Secretary of the Company. The Nominating Committee will evaluate candidates based on financial literacy, knowledge of the Company's industry or other background relevant to the Company's needs, status as a stakeholder in the Company, independence for purposes of compliance with the rules of the SEC and NASD, and willingness, ability, and availability for service. Messrs. Blair, Bluestein, and Hopkins, all of whom are considered independent, are the current members of the Nominating Committee. During 2008, the Nominating Committee did not hold any meetings.

Messrs. Bluestein, Holland, and Ms. Beasley serve on the Board of SBC Financial Services, Inc., the Company's subsidiary which formerly offered insurance agent and investment brokerage services but is now inactive. One meeting was held by the SBC Financial Services, Inc. Board in 2008.

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The Company expects, but does not require, directors to attend the Annual Meeting of Shareholders. Last year, all directors attended the Annual Meeting.

**Director Compensation**

The Board determines the amount and form of director compensation. Procedures regarding the determination of director compensation are similar to those used by the Compensation Committee for executive compensation.

The following table provides information concerning the compensation of directors for the most recent fiscal year. Except as noted below, all directors are paid at the same rate. The differences among directors in the table below result from additional compensation for chairing a committee as well as varying numbers of meetings attended and corresponding payments of meeting fees. Non-employee directors of the Company receive a fee of \$700.00 per meeting. No fees are paid to members of committees appointed by the Company Board for their service on Company committees. Non-employee directors of Southeastern Bank are paid a director's fee of \$700.00 per month, and, if on the Executive Committee, an additional \$450.00 per month. Audit Committee members are paid \$225.00 for each meeting attended except for the Chairman and Vice Chairman of that Committee who are paid \$275.00 for their attendance. Electronic Data Processing Committee, Compensation Committee, and Asset/Liability Committee members are paid \$225.00 for each meeting attended. Non-employee directors of SBC Financial Services, Inc. are paid \$100.00 per meeting attended. Non-employee directors do not participate in employee benefit programs that provide incentive compensation, including equity incentives, or retirement benefits.

No fees are paid to directors employed by the Company and its subsidiaries for their attendance at any Board or committee meetings. In 2008, two of the Company's directors also served as employees of the bank subsidiary. Cornelius P. Holland, III served as President and Chief Executive Officer ( CEO ), and Alyson G. Beasley, as Vice President and Controller; their compensation is discussed in the Executive Compensation section of this Proxy Statement. Additionally, R. Lanier Miles, an Executive Vice President of Southeastern Bank, served on the bank subsidiary Board. In 2008, compensation for Mr. Miles totaled \$57,220. This compensation consisted of a base salary of \$50,545 and all other compensation of \$6,675. Contributions to the Profit-Sharing Plan, which includes a 401(k) match, comprised \$6,006 of all other compensation and automobile use & miscellaneous, \$623 and \$46, in 2008, respectively. Mr. Miles is not eligible to participate in the Company's Annual Incentive Plan due to his part-time status. Additionally, he was not granted any stock option awards under the Stock Option Plan in 2008. The Annual Incentive Plan (the AIP ) and the Stock Option Plan are more fully described in the Executive Compensation section of this Proxy Statement.

**Director Compensation Table**

| Name <sup>(1)</sup>  | Fees Earned or Paid in Cash | All Other Compensation <sup>(2)</sup> | Total     |
|----------------------|-----------------------------|---------------------------------------|-----------|
| Leslie H. Blair      | \$ 16,600                   |                                       | \$ 16,600 |
| David H. Bluestein   | \$ 19,850                   |                                       | \$ 19,850 |
| Alva J. Hopkins, III | \$ 13,200                   |                                       | \$ 13,200 |
| A. Wade Strickland   | \$ 11,650                   |                                       | \$ 11,650 |

(1) Does not include employee directors. Amounts paid Mr. Holland and Ms. Beasley are reported in the Summary Compensation Table; amounts paid bank-only director Miles are reported in the narrative above.

(2) No non-employee director received perquisites or personal benefits in excess of \$10,000 in 2008.

**Corporate Governance**

In addition to the discussion of director independence and other matters in the foregoing sections, refer to Corporate Governance from Part II of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for more details on the Company's corporate governance practices.

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**Shareholder Communications with Directors**

Shareholders or other interested parties wishing to contact the Board or a specified director(s) or committee of the Board should send correspondence to the Secretary of Southeastern Banking Corporation, P.O. Box 455, Darien, Georgia 31305. All communications so received from shareholders or other interested parties will be forwarded to the members of the Board, or to a specific Board member(s) or committee if so designated by such person. Anyone who wishes to communicate with a specific Board member(s) or committee should send instructions asking that the material be forwarded to the director(s) or to the appropriate committee chairman.

**EXECUTIVE COMPENSATION**

**Executive Officers**

Executive officers are elected annually by the Board. The table below sets forth the name of each executive officer of the Company and its subsidiaries as of December 31, 2008 and the principal positions and offices he or she holds with the Company. Unless otherwise indicated, each of these officers has served as an executive officer of the Company or its bank subsidiary for at least five years.

| <b>Name</b>               | <b>Information about Executive Officers</b>  |
|---------------------------|--|
| Cornelius P. Holland, III | President and CEO of the Company. Mr. Holland is also Chairman, CEO, and President of Southeastern Bank and SBC Financial Services, Inc.   |
| John C. Houser            | Executive Vice President of Southeastern Bank since January 2007 with operational and lending oversight of all bank locations. From July 2004 – December 2006, Mr. Houser served as Senior Vice President and chief credit officer. Prior to July 2004, Mr. Houser was Vice President – Commercial Sales Manager of AmSouth Bank, Birmingham, Alabama. Mr. Houser was appointed an executive officer of Southeastern Bank in January 2005. Mr. Houser is 45. |
| Alyson G. Beasley         | Vice President and Treasurer of the Company. Ms. Beasley is also Controller and Assistant Secretary of Southeastern Bank with responsibility for various finance-related functions and Treasurer of SBC Financial Services, Inc.   |

**Compensation Committee Processes and Procedures**

All executive compensation is paid by the bank subsidiary. Accordingly, decisions regarding the compensation of executive officers are made by the Compensation Committee of Southeastern Bank, which is referenced in this section as the Committee. Specifically, the Committee has strategic and administrative responsibility for a broad range of issues, including ensuring that key management employees are compensated effectively and in a manner consistent with stated compensation strategy and applicable regulatory requirements. The Committee also oversees certain other employee benefits, including the Stock Option Plan and the Profit-Sharing Plan. The bank Board appoints each member of the Committee and has determined that each member other than Mr. Holland is independent under NASD rules. Mr. Holland serves as a non-voting member of the Committee and does not participate in decisions regarding his personal compensation; all decisions relating to the CEO's compensation are made by the Committee in executive session, without management present.

The Committee's policy is to review all components of executive officer compensation, including base salary, bonuses, and long-term incentives, at least annually. The Committee conducts these reviews to ensure that senior management compensation is consistent with its compensation philosophies, Company and personal performance, changes in market practices, changes in an individual's responsibilities, and historically, inflation. At the Committee's first regular meeting each year, which is typically held in January or February, the Committee makes a more specific review which focuses on performance for the

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most recent fiscal year. From time to time, the Committee may hire a third party consultant to advise it on executive compensation and benefit programs. The Committee has the authority to hire and fire any consultant and engage other advisors.

In determining the amount of executive officer compensation each year, the Committee reviews competitive market data from the banking industry as a whole and Georgia financial institutions within its asset size specifically. The Committee makes specific compensation decisions based on such data, Company performance, and individual performance and circumstance. With regard to formula-based incentives, the Committee develops performance targets using management's internal business plan, industry and market conditions, and other factors.

The Compensation Committee has, over the last 2 years, taken the following actions:

Reviewed incentive compensation arrangements with executive officers to ensure that these arrangements do not encourage executive officers to take unnecessary risks that may threaten the Company's value;

Made no AIP bonus payments to executive or other officers based on 2008 performance; and

In 2009, eliminated annual merit-based or other salary increases and bonuses for all employees, except in connection with a promotion.

In October 2008, the United States Department of the Treasury announced the Capital Purchase Program ( CPP ) under the Emergency Economic Stabilization Act of 2008 ( EESA ) pursuant to which it would purchase senior preferred stock and warrants from participating financial institutions. Although the Company opted not to apply for the CPP, the Company is aware that legislation and regulation promulgated under EESA and related legislation may eventually affect compensation practices of non-CPP institutions.

## **COMPENSATION DISCUSSION AND ANALYSIS**

### **Introduction**

The Committee sets total compensation for the Company's executive officers, including the CEO, by evaluating all elements of compensation on an annual basis. This evaluation includes:

Evaluation of cash compensation;

Review of trigger (minimum), target, and superior (maximum) payout levels under bonus plan;

Assessment of stock-based compensation plan;

Consideration of the value of benefit plans;

Comparisons to compensation packages provided to executive officers by comparable banks, to gain perspective and context;

Analysis of whether compensation is aligned with the interests of shareholders;



Consideration of the value of any special benefits and perquisites; and

Consideration of the tax deductibility and accounting implications of executive compensation, as needed.

Based on this evaluation, the Committee has concluded that the total compensation package is reasonable and appropriately designed to attract, retain, and motivate the Company's executive officers but also fair from a shareholder's perspective. Although approved by the shareholders at the Annual Meeting in June 2007, no awards were granted under the Stock Option Plan until 2008. The Committee expects stock-based compensation to comprise a higher percentage of total compensation going forward. The Committee and the Board believe that stock-based compensation will better align the interests of executive and other senior officers with the long-term interests of shareholders.

#### **Executive Compensation Philosophy**

The Company has designed a compensation framework to drive financial performance and increase shareholder value. The principles of this framework include:

Pay should align with performance.

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Pay should be competitive with the marketplace.

Pay should be at risk to align with shareholder return.

Compensation should comply with applicable legal and regulatory limits.

### **Objectives of Executive Compensation**

The objectives of the Company's executive compensation program are to:

Attract and retain quality leadership;

Encourage improvement in individual and business performance; and

Recognize the importance of improving shareholder value.

### **Decisions Regarding Composition of Total Compensation**

The Company provides a mix of pay elements to align executive incentives with shareholder value. The compensation program has historically focused primarily on short-term compensation; however, as discussed above, stock options, which constitute long-term compensation, became part of overall compensation in 2008. Stock options better align executives' interests with shareholders' interests and maintain focus on the Company's long-term performance. The use of stock options subjects executive officers to downside risk related to the Company's performance and thus affects their overall compensation. Due to the elimination of AIP in 2008 and 2009 and also, the decline in stock price which makes the exercise of any current options unlikely, total direct compensation for executive officers is presently comprised entirely of base salary. The ranges for the elements of CEO compensation are set forth below:

Base Salary: Ranges from approximately 45% to 100% of total direct compensation

Short-Term Incentives: Range from approximately 0% to 40% of total direct compensation

Long-Term Incentives: Range from approximately 0% to 15% of total direct compensation

For the other executive officers, compensation is allocated as follows:

Base Salaries: Range from approximately 69% to 100% of total direct compensation

Short-Term Incentives: Range from approximately 0% to 21% of total direct compensation

Long-Term Incentives: Range from approximately 0% to 10% of total direct compensation

Total direct compensation comprises base salaries plus short-term and long-term incentives. As discussed earlier, the Company's ability to offer incentive pay may be curtailed in the future.

### **Executive Compensation Program Overview**

The Company's executive compensation program has four components:

Base salary;

Short-term (annual) cash incentives;

Long-term incentives; and

Benefits.

A brief description of these components and related programs follows:

**1. Base Salary**

Base salaries are paid to attract and retain talented executives. The level of base salary paid depends mostly on an executive's experience, duties, and scope of responsibility. The Committee generally determines annual increase to base salary based upon an individual's performance and/or changed responsibilities. Base salary is generally targeted at peer median to be competitive. Base salary directly affects the size of AIP awards, because AIP awards are calculated as a percent of base salary. Base salary also affects the level of benefits, including retirement contributions and life insurance coverage.

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For 2008, the Committee reviewed appropriate market data and approved a 4.20% merit increase to Mr. Holland's base salary effective February 1, 2008. Mr. Houser and Ms. Beasley received merit increases of 4.50% and 4.00%, respectively, also effective February 1, 2008. For 2009, the Committee eliminated salary increases for all employees, including executive officers, except in connection with a promotion.

Base salaries represent a larger proportion of total compensation at lower executive levels, but at the CEO level is progressively replaced with larger variable compensation opportunities.

## **2. Annual Cash Incentives**

The Company uses annual cash incentives (the Annual Incentive Plan or AIP) to drive achievement of its annual performance goals. The current AIP, which was implemented in 2005, focuses on the achievement of annual financial goals with awards paid in cash. The AIP is designed to:

Support the Company's strategic business objectives;

Promote the attainment of specific financial goals;

Reward achievement of specific performance objectives; and

Encourage teamwork.

All executive and other full-time officers participate in the AIP. The size of an executive's AIP award is influenced by the scope of the executive's responsibilities, market practices, and individual performance. The Committee generally targets annual bonus at market median practice for expected levels of performance, with upside opportunities for superior performance. The size of AIP also affects contributions to the Profit-Sharing Plan, as further discussed below. Awards earned under the AIP are generally contingent upon employment from April 1 through December 31 of each year.

The ultimate amount paid to an executive under the AIP is a function of four variables:

The executive's level of participation;

The AIP goals established by the Committee for the executive;

The payout amounts established by the Committee which correspond to trigger, target, and superior levels of performance; and

The Committee's determination of the extent to which the goals were met.

The Committee initially denominates AIP awards as a percent of an executive's salary. The percentage represents the final AIP payout to the executive assuming AIP goals are achieved at the target level of performance. The actual amount paid under the AIP depends upon performance and can vary as discussed below.

Next, the Committee establishes financial and/or non-financial performance measures for each participant. For Mr. Holland, AIP performance measures for 2008 were a blend of 75% corporate performance and 25% individual performance; the heavier weighting accorded corporate performance results from the substantial impact Mr. Holland has on the achievement of those measures yet recognizes the substantial impact of

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other measures in a community banking environment. For Mr. Houser, AIP measures for 2008 were a blend of 70% corporate performance and 30% individual performance; he had personal responsibility for the success of the Company's lending function. AIP measures for Ms. Beasley were a blend of 50% corporate performance and 50% individual performance.

With respect to corporate performance measures, AIP in 2008 were based primarily on net income, return on average assets, loan/deposit growth, asset quality, and stock price performance. Other than reduced emphasis on loan growth, no changes are expected in the corporate performance measures for 2009. The performance goals for 2009 and later years may be expanded to include other financial measures as selected by the Committee.

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The Committee sets target performance measures in January or February of each year based largely on management's confidential business plan for the coming year, which typically includes planned revenue growth, asset growth, and profit improvement as well as various non-financial goals. The Committee also sets trigger and superior performance benchmarks. Superior award levels reflect ambitious goals which can be attained only when business results are exceptional, thus justifying the higher award payments. Similarly, minimum award or trigger performance levels are set sufficiently high that executives may fail to reach the minimum performance levels, resulting in no payments under the AIP.

Actual payouts under AIP depend on the level at which the performance measures are achieved. Overall achievement at the target level results in a final award payout equal to the target incentive award payment which approximates 20% of base salary for Mr. Holland and 15% for the other executives. Actual performance at the trigger performance level results in a final award payment equal to 80% of the target amount for Mr. Holland and 67% of the target award amount for the other executives; performance below the trigger performance level results in no award payment. Actual performance above the target performance benchmark produces an award greater than the target award, up to 200% of the target award for Mr. Holland and 140% of the target award for the other executives. The Committee has the discretion to award a slightly higher percentage for performance that exceeds trigger or target but does not meet the next highest award level. Additionally, under the AIP formula, the CEO has a merit pool that can be used to reward performance of his direct reports. The CEO is not eligible for participation in the merit pool.

As a final step, the Committee assesses actual performance relative to pre-set goals and, thus, determines the amount of any ultimate award payment. In determining final awards and evaluating personal performance, the Committee considers adjusted GAAP net income and other corporate performance measures for unplanned, unusual, or non-recurring items of gain or expense.

In 2008, the Company faced unprecedented volatility in the banking industry, coupled with a deteriorating economy and uncertain outlook. Margin compression, asset sensitivity, and increased provisions for loan and other losses impacted earnings significantly. By formula alone, no officer, including executive officers, qualified for payments under the AIP for 2008. The Company has already suspended the AIP for 2009.

**3. Long-Term Incentives**

The Company granted stock options to employees for the first time in 2008. The Company's 2006 Stock Option Plan, which was shareholder-approved in June 2007, permits the grant of stock options to employees covering up to 150,000 shares of common stock. The Company believes that stock options provide a long-term link between the interests of executive officers and shareholders. Executive officers benefit from stock option grants only to the extent stock price appreciates, which is aligned with shareholder return. Options granted will generally have an exercise price equal to the fair market value of the Company's stock on the grant date and vest 25% per year over four consecutive years of service; a year of service is defined as the twelve months following the date of grant. The options have ten-year contractual terms and expire if not exercised.

As stated above, stock option grants align executive officer incentives with the interests of shareholders. The options generally are not transferable, and have value only to the extent that the Company's stock price increases over the price level at the time of grant. The following chart summarizes the grants that were made to executive officers in 2008:

| Name                      | Grant Date    | Number of Options | Exercise Price | Current Stock Price |
|---------------------------|---------------|-------------------|----------------|---------------------|
| Cornelius P. Holland, III | July 21, 2008 | 7,500             | \$ 19.50       | \$ 13.25            |
| John C. Houser            | July 21, 2008 | 5,000             | \$ 19.50       | \$ 13.25            |
| Alyson G. Beasley         | July 21, 2008 | 5,000             | \$ 19.50       | \$ 13.25            |

(1) Closing market price of Common Stock as of April 1, 2009.

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The Company's policy is to make stock option grants only at current market prices. The Company does not grant in-the-money options or options with exercise prices below market value on the grant date. Absent special circumstances, the Company's policy is to make grants to executive officers and other participants only on the dates of regularly scheduled Compensation Committee meetings. Further, the majority of such grants will be made in January or February during the Compensation Committee's formal year-end review. In 2008, the grants were delayed until July so the Company could ensure its compliance with Section 409A of the Internal Revenue Code.

The Company does not make stock option grants at times when executive officers have knowledge of material information about the Company that has not been made public. Grants to all participants, including executive officers, are typically made at the same time.

### **4. Benefits**

#### **A. Profit-Sharing Plan**

The Company maintains an Employee Profit-Sharing Plan (again, the Profit-Sharing Plan) with 401(k) features to provide a tax-advantaged savings vehicle for its employees. The Company makes matching contributions to the Profit-Sharing Plan to encourage employees to save money for their retirement. The Profit-Sharing Plan, and the Company's contributions to it, enhance the range of benefits the Company offers executives and the Company's ability to attract and retain employees.

Under the terms of the Profit-Sharing Plan, the Company will match an employee's contribution in an amount equal to a discretionary percentage of the employee's contribution as determined each year. In 2008, the Company matched up to 6% of eligible pay on a dollar-for-dollar basis. In 2009, the Company will again match up to 6% of eligible pay; the Company does not want to discourage its employees from maintaining a long-term perspective when planning for retirement, even given current volatility. Matching contributions vest to the employee when made by the Company. Any additional profit-sharing contributions are allocated to participants based on compensation and years of service; these contributions vest equally over a five-year period after the employee reaches two years of service. Immediate vesting applies when employment is terminated due to normal retirement at age 65 or later, disability, or death. All contributions are immediately eligible for investment by participants. The Company establishes its matching contributions by reference to market and historical practices.

#### **B. Perquisites and Other Benefits**

Perquisites and other benefits represent a nominal part of the Company's overall compensation package and are offered only after consideration of business need. The primary perquisite offered to senior management is membership in golf or social clubs for the entertainment of clients and prospective clients. The Company reviews such perquisites and other benefits annually.

#### **C. Post-Termination Compensation**

1. **Retirement Plans.** The Company maintains a defined contribution plan that encourages participants to set aside part of their current earnings to provide for their retirement. This Profit-Sharing Plan is described under Item 4A above.

2. **Change in Control Agreements.** The Company does not currently have any change in control agreements or employment contracts with any of its executive officers although such agreements might prove beneficial to the Company in the future.

### **External Review of the Executive Compensation Program**

In 2005, a compensation consultant hired by the Committee performed a comprehensive review of all executive programs and recommended specific program improvements or changes to ensure that the Company's programs were competitive and effective. Results of this study indicated that pay levels and

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practices were generally competitive but missing deferred or other long-term incentives. Shareholders approved a stock option plan for executives and other employees at the 2007 Annual Meeting that addressed this particular shortcoming. In 2008, grants were made under the approved Stock Option Plan for the first time. Although the Committee has tentatively decided to forego another comprehensive review until at least 2010, the Committee will continue to utilize the Company's Human Resources department to monitor the overall effectiveness of current programs.

In 2005, the Committee also redesigned the AIP to more closely align incentive awards with officer performance and better measure individual contribution to the Company's overall success. Additionally, in 2005, the Company assigned a salary grade based on job function and responsibility to each employment position. The salary grade results in a minimum and maximum pay range for each job position. The Company developed its initial salary grades based on the Compensation and Benefits Survey conducted by the Georgia Bankers Association and Matthews, Young Management Consulting. The salary grades, which can vary by market area, are reviewed annually by the Company's Human Resources department and adjusted periodically for competitive and other reasons. The AIP will be re-evaluated in conjunction with the next executive program review.

### **Other Guidelines and Procedures Affecting Executive Compensation**

*Role of Executive Officers in Determining Executive Compensation.* The Committee oversees the administration of executive compensation plans, including the design, performance measures, and award opportunities, and certain employee benefits. The Committee has the authority to determine, and approves, all compensation and awards, including option awards, to the CEO and other executive officers. Additionally, the Committee annually reviews the general elements of compensation for all non-executive officers. The CEO assists in the review of other executive officers and direct reports by providing performance and market data pertinent to compensation decisions for these officers.

*Stock-Based Compensation Procedures Regarding Timing and Pricing of Awards.* Refer to the discussion under Item 3 on page 12 for Company policy on stock option grants.

*Share Ownership and Share Retention Guidelines.* All directors of the bank subsidiary must own at least 800 shares of Company stock in accordance with state law. No other share ownership or retention guidelines currently apply to directors or executive officers of the Company or its subsidiaries. The Company believes that significant share ownership by directors and executive officers can be a contributing factor to superior long-term corporate performance. The Company believes the Stock Option Plan will increase the share ownership of its executive and other officers, thereby increasing their stake in the Company.

### **Tax Considerations**

Currently, all compensation paid to the Company's executive officers is tax deductible.

### **Summary**

In summary, the Company believes this mix of salary, variable cash incentives, and equity ownership via the Stock Option Plan motivates its management team to produce strong returns for shareholders.

### **Compensation Committee Report**

The Compensation Committee reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement for filing with the SEC.

### **Submitted by the Compensation Committee of Southeastern Bank:**

A. Wade Strickland, M.D., Chairman

David H. Bluestein

Alva J. Hopkins, III

Cornelius P. Holland, III (non-voting member)





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**EXECUTIVE COMPENSATION TABLES**

**Summary of Cash and Certain Other Compensation and Other Payments to Executive Officers**

The following sections provide a summary of cash and certain other amounts the Company paid its executive officers for the year ended December 31, 2008. The compensation disclosed is presented in accordance with SEC regulations, which require, in some cases, inclusion of amounts paid in prior years; amounts that may be paid in future years, including amounts that will be paid only upon the occurrence of certain events, such as permanent disability or a change in control of the Company; and an assumed value for share-based compensation under accounting rules, even though any benefit from the award may depend on whether the Company's stock price appreciates above its exercise price (price on date of grant) and the executive officer continues employment with the Company.

*The narratives preceding the tables and the footnotes accompanying each table are important parts of each table. This section should be read in conjunction with the Compensation Discussion and Analysis previously presented.*

**Summary Compensation Table**

The following table provides information concerning the compensation of executive officers for the most recently completed fiscal year.

In the column **Salary**, the amount of base salary paid to each executive officer during the fiscal year is disclosed.

In the column **Option Awards**, SEC regulations require disclosure of the cost recognized for financial statement purposes in accordance with Statement of Financial Accounting Standards (SFAS) No. 123(R), **Share-Based Payment**. This amount represents the grant date fair value as determined by the Black-Scholes option pricing model recognized pro-rata over the award's vesting period; no forfeitures have been assumed. For additional information, refer to Note 10 of the Company's Consolidated Financial Statements in Form 10-K for the year ended December 31, 2008, as filed with the SEC.

In the column **Non-Equity Incentive Plan Compensation**, earnings pursuant to awards under the AIP are disclosed. The AIP awards are annual awards, and payments for these awards are based on the achievement of financial results measured as of December 31 of each fiscal year; accordingly, the amount paid for AIP corresponds to the fiscal year for which the award was earned although payment of the award was made after the end of such fiscal year.

In the column **All Other Compensation**, the aggregate value of the following compensation is disclosed:

Perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is less than \$10,000;

Company contributions to the Profit-Sharing Plan both vested and unvested; and

Any supplemental life insurance premiums paid during the year for the benefit of an executive officer.

No amounts are presented for group life, hospitalization, and disability plans that do not discriminate in scope, terms, or operation in favor of executive officers and that are generally available to all salaried employees.

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| Name and Principal Position   | Year | Salary     | Option Awards <sup>(2)</sup> | Non-Equity Incentive Plan Compensation <sup>(3)</sup> | All Other Compensation <sup>(4)</sup> | Total      |
|---|------|------------|------------------------------|---|---------------------------------------|------------|
| Cornelius P. Holland, III<br><i>President and CEO of the Company</i>                  | 2008 | \$ 265,702 | \$ 2,690                     | \$  | \$ 28,081                             | \$ 296,473 |
|   | 2007 | 255,231    |                              | 62,000  | 25,452                                | 342,683    |
|   | 2006 | 247,700    |                              | 39,744  | 32,445                                | 319,889    |
| John C. Houser <sup>(1)</sup><br><i>Executive Vice President of Southeastern Bank</i> | 2008 | \$ 166,600 | \$ 1,793                     | \$  | \$ 26,098                             | \$ 194,491 |
|   | 2007 | 158,002    |                              | 41,101  | 20,125                                | 219,228    |
|   | 2006 | 135,447    |                              | 35,560  | 15,990                                | 186,997    |
| Alyson G. Beasley<br><i>Vice President and Treasurer of the Company</i>               | 2008 | \$ 122,155 | \$ 1,793                     | \$  | \$ 13,690                             | \$ 137,638 |
|   | 2007 | 117,503    |                              | 25,710  | 12,456                                | 155,669    |
|   | 2006 | 113,529    |                              | 20,078  | 13,998                                | 147,605    |

- (1) Mr. Houser served as Senior Vice President of Southeastern Bank from July 2004 to December 2006. Effective January 2007, Mr. Houser became an Executive Vice President of Southeastern Bank. Refer to earlier sections of this Proxy Statement for more details on this position.
- (2) Option awards granted July 21, 2008 had an exercise price of \$19.50 and were valued at \$3.23 per share in accordance with SFAS No. 123(R). No forfeitures were assumed.
- (3) Amounts reported for 2007 and 2006 reflect payments under the AIP. No awards were made to Messrs. Holland, Houser, and Ms. Beasley for 2008 performance.
- (4) All other compensation includes the following perquisites, personal benefits, and other compensation in 2008:

| Name                      | Perquisites and Personal Benefits |  |        | Other Compensation                              |   |
|---------------------------|-----------------------------------|--|--------|---|---|
|                           | Club Membership                   | Personal Use of Company Car <sup>(A)</sup> | Other  | Profit-Sharing Plan Contribution <sup>(B)</sup> | Executive Life Insurance <sup>(C)</sup> |
| Cornelius P. Holland, III |                                   | \$ 4,011                                   | \$ 322 | \$ 22,608                                       | \$ 1,140                                |
| John C. Houser            | \$ 3,046                          | \$ 5,414                                   | \$ 322 | \$ 16,236                                       | \$ 1,080                                |
| Alyson G. Beasley         |                                   |  | \$ 407 | \$ 12,651                                       | \$ 632                                  |

- (A) In accordance with SEC regulations, the Company reports use of corporate automobiles by executive officers as a perquisite or other personal benefit unless such use is generally available on a non-discriminatory basis to all employees or is integrally and directly related to the performance of the executive's duties. The amounts reported are consistent with this standard. SEC rules require that such use be reported at the Company's aggregate incremental cost which the Company equivocated to the automobile benefit included in the executive's W-2 for the last fiscal year.
- (B) The amount shown includes matching and additional contributions to the Profit-Sharing Plan as discussed in other sections of this Proxy Statement. In 2008, forfeiture reallocations are also included.
- (C) Executive and other senior officers are entitled to a \$100,000 executive life insurance policy. This column includes the premium associated with this policy.



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The table below summarizes each grant of an award made to the Company's executive officers in 2008. *The amounts shown under trigger, target, and superior payouts for the non-equity incentive plan comprise pro-forma disclosure only; no AIP payouts were made for 2008 performance.* Additionally, as discussed earlier, no payouts will be made for 2009 performance.

**2008 Grants of Plan-Based Awards**

| Name                      | Award Type             | Equity Award Grant Date | Estimated Future Payouts under Non-Equity Incentive Plan Awards |           |            | All Other Stock Awards: Number of Shares (#) | Exercise Price of Option Awards | Grant Date Fair Value of Option Awards <sup>(3)</sup> | Current Market Value <sup>(4)</sup> |
|---------------------------|------------------------|-------------------------|---|-----------|------------|--|---------------------------------|---|-------------------------------------|
|                           |                        |                         | Trigger   | Target    | Superior   |  |                                 |   |                                     |
| Cornelius P. Holland, III | AIP <sup>(1)</sup>     |                         | \$ 42,656   | \$ 53,320 | \$ 106,639 |  |                                 |   |                                     |
|                           | Options <sup>(2)</sup> | 7/21/08                 |   |           |            | 7,500  | \$ 19.50                        | \$ 24,225   | \$                                  |
| John C. Houser            | AIP <sup>(1)</sup>     |                         | \$ 16,718   | \$ 25,080 | \$ 35,112  |  |                                 |   |                                     |
|                           | Options <sup>(2)</sup> | 7/21/08                 |   |           |            | 5,000  | \$ 19.50                        | \$ 16,150   | \$                                  |
| Alyson G. Beasley         | AIP <sup>(1)</sup>     |                         | \$ 12,254   | \$ 18,382 | \$ 25,735  |  |                                 |   |                                     |
|                           | Options <sup>(2)</sup> | 7/21/08                 |   |           |            | 5,000  | \$ 19.50                        | \$ 16,150   | \$                                  |

- (1) Information pertains to the AIP for 2008. As reflected in the Summary Compensation Table, Messrs. Holland, Houser and Ms. Beasley did not receive AIP payments for 2008. The amounts given do not assume any pro-forma payment from the CEO merit pool for Mr. Houser and Ms. Beasley.
- (2) Granted under the Company's 2006 Stock Option Plan. These options have ten-year contractual terms and expire if not exercised. The options vest 25% per year over four consecutive years of service; a year of service is defined as the twelve months following the date of grant. Stock options have no express performance criteria other than continued employment (with a limited exception for a change in control). However, options have an implicit performance criterion, because the options have no value unless and until the Company's stock price exceeds the exercise price.
- (3) Represents the aggregate grant date fair value of awards made in 2008, calculated in accordance with SFAS No. 123(R). In contrast to the presentation in the Summary Compensation Table, amounts are reported here without apportionment over the service or vesting period.
- (4) Based on closing stock price on April 1, 2009. Current market value of options represents the extent to which current share price exceeds the exercise price, if positive, times the number of shares.

The table below summarizes the unexercised stock option awards for the Company's executive officers outstanding at December 31, 2008:

**Outstanding Equity Awards at December 31, 2008**

| Name                      | Number of Securities Underlying Unexercised Options (#) Exercisable | Option Awards   |                       |                        | Vesting Date <sup>(1)</sup> |
|---------------------------|---|---|-----------------------|------------------------|-----------------------------|
|                           |   | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price | Option Expiration Date |                             |
| Cornelius P. Holland, III |   | 7,500   | \$ 19.50              | 7/21/2019              | 7/21/2009                   |
| John C. Houser            |   | 5,000   | \$ 19.50              | 7/21/2019              | 7/21/2009                   |

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|                                  |       |          |           |           |
|----------------------------------|-------|----------|-----------|-----------|
| Alyson G. Beasley <sup>(2)</sup> | 5,000 | \$ 19.50 | 7/21/2014 | 7/21/2009 |
|----------------------------------|-------|----------|-----------|-----------|

- (1) The options vest 25% per year over four consecutive years of service; a year of service is defined as the twelve months following the date of grant. Under normal employment, the options shown will be 25% vested at July 21, 2009 and fully vested at July 21, 2012.
- (2) Ms. Beasley is the beneficial owner of more than 10% of the Company's Common Stock. Under the terms of the Stock Option Plan, 10% beneficial owners must exercise options by the fifth anniversary of the grant date.

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### **Option Exercises and Stock Vested in 2008**

On July 21, 2008, the Company granted options to employees, including executive officers, for the first time. The options granted in 2008 will not become exercisable until July 2009 due to vesting requirements. The preceding compensation tables and accompanying footnotes contain additional information on the Company's Stock Option Plan.

### **Potential Payments Upon Termination or Change in Control**

The table on the next page summarizes the estimated payments to be made to executive officers at, following, or in connection with any termination of employment, including by resignation, retirement, disability, or a constructive termination. However, in accordance with SEC regulations, an amount to be provided to an executive officer that does not discriminate in scope, terms, or operation in favor of executive officers and which is generally available to all salaried employees is not reported. The discussion below assumes such hypothetical terminations occurred as of December 31, 2008.

*Severance.* The Company does not currently have any change in control agreements or employment contracts with any of its executive officers. Post-termination payments of salary or severance would be provided only under the Company's broad-based severance practice in the event of a workforce reduction or other termination without cause. To date, the Company has never implemented a workforce reduction.

Upon a change in control, all outstanding stock options would vest immediately; benefits which would be provided upon this triggering event are discussed below under the caption, Accelerated Vesting of Long-Term Incentives.

*Accelerated Vesting of Short-Term Incentives.* The measurement period for AIP ends on the last day of the Company's fiscal year. SEC regulations require the Company to assume that any change in control occurs on the last day of the most recent year-end. As a result, AIP would payout based on the achievement of AIP goals for the completed year, and payments would not be enhanced regardless of the circumstances surrounding termination. A change in control occurring on a date other than the last day of the fiscal year would not necessarily result in pro-rata payments to AIP participants, although the Compensation Committee could, in its discretion, consider such payments.

*Accelerated Vesting of Long-Term Incentives.* The Company currently provides long-term incentives to executive officers through stock options. Stock options normally vest 25% per year over four consecutive years of service provided the executive officer remains an active employee during the vesting period. No additional benefit from stock options is realized at death or disability. A change in control, however, would trigger immediate vesting of such options. Upon termination for cause, all unexercised options are forfeited immediately. The Company calculated the value of options which accelerate upon a change in control by multiplying the number of shares times the difference between the closing price of Company Common Stock on the last business day of the fiscal year and the exercise price of the options. A zero value is assumed when the exercise price exceeds such closing price.

*Retirement Plan.* Presently, employees become vested in matching contributions made to the 401(k) component of the Profit-Sharing Plan immediately. Employees are fully vested in any additional (i.e. non-401(k) component) contributions after six years of service. Mr. Holland and Ms. Beasley are fully vested in their profit-sharing benefits. The profit-sharing benefits are not enhanced based on the circumstances regarding termination; however, immediate vesting applies when employment is terminated due to normal retirement at age 65 or later, disability, or death. Accelerated vesting would not result merely from a change in control. The amount reported in the table on the next page reflects only the enhancement to these benefits in such circumstance. Additional information regarding the Profit-Sharing Plan is located in the Compensation Discussion and Analysis.

*Other Benefits.* As of December 31, 2008, the Company did not have any other benefits reportable in the table on the next page.

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|  | Voluntary<br>Termination | Involuntary<br>Not for<br>Cause<br>Termination | For Cause<br>Termination | Involuntary<br>Termination/<br>Change<br>in<br>Control | Death     | Disability |
|--|--------------------------|--|--------------------------|--|-----------|------------|
| <b>Executive Benefits and Payments upon Termination</b>    |                          |  |                          |  |           |            |
| <b>Cornelius P. Holland, III</b>                           |                          |  |                          |  |           |            |
| Severance  |                          |  |                          |  |           |            |
| Accelerated Vesting of Long-Term Incentives <sup>(1)</sup> |                          |  |                          | \$   |           |            |
| Retirement Plan  |                          |  |                          |  |           |            |
| <b>John C. Houser</b>                                      |                          |  |                          |  |           |            |
| Severance  |                          |  |                          |  |           |            |
| Accelerated Vesting of Long-Term Incentives <sup>(1)</sup> |                          |  |                          | \$   |           |            |
| Retirement Plan <sup>(2)</sup>                             |                          |  |                          |  | \$ 10,356 | \$ 10,356  |
| <b>Alyson G. Beasley</b>                                   |                          |  |                          |  |           |            |
| Severance  |                          |  |                          |  |           |            |
| Accelerated Vesting of Long-Term Incentives <sup>(1)</sup> |                          |  |                          | \$   |           |            |
| Retirement Plan  |                          |  |                          |  |           |            |

- (1) At a closing price of \$13.00 on December 31, 2008, all unvested stock option grants have exercise prices below the current market value; accordingly, no value is reflected for this item.
- (2) Mr. Houser would become 100% vested in his current retirement plan balances due to disability or death. Life-to-date contributions and forfeiture reallocations were used to determine the accelerated vesting benefit. No earnings assumptions have been made.

**PROPOSAL THREE- APPOINTMENT OF AUDITORS**

Subject to approval by a majority of the shares represented at the Meeting, the Audit Committee shall be given authority to appoint the auditors of the Company for 2009. The Audit Committee's decision is based on a review of the qualifications, independence, past performance, and quality controls of the auditor. The Committee also considers audit continuity, proposed audit scope, staffing and approach, and estimated fees. The Board expects that the Audit Committee will appoint Mauldin & Jenkins, LLC ( M&J ) as the Company's independent auditors for 2009. Services provided to the Company and its subsidiaries by Mauldin & Jenkins for the fiscal year ended December 31, 2008 included the examination of the Company's consolidated financial statements, review of quarterly reports, and limited scope audit of the Company's Profit-Sharing Plan. M&J has audited the Company's financial statements for the last five years. No representatives from M&J are expected to attend the Meeting.

**THE BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE APPOINTMENT OF INDEPENDENT AUDITORS BY THE AUDIT COMMITTEE.**



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**AUDIT COMMITTEE REPORT**

The Audit Committee of the Board has oversight responsibility for the Company's financial accounting and reporting, systems of internal control, and audit processes. Management of the Company is directly responsible for preparing the Company's consolidated financial statements as well as establishing an appropriate financial reporting process and effective systems of internal controls. M&J, as the Company's independent registered public accountants, performs an independent audit of the Company's financial statements and expresses an opinion on the conformity of the Company's financial statements with accounting principles generally accepted in the United States of America. The Audit Committee members, other than Mr. Harper, are not professional accountants or auditors, and the Audit Committee's functions are not intended to duplicate or certify the activities of management and M&J. The Audit Committee monitors and oversees these processes. In this context, the Audit Committee has:

Reviewed and discussed with management the audited financial statements for the year ended December 31, 2008, including discussions of the quality - not merely the acceptability - of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosure in the Company's financial statements; management represented to the Committee that the Company's financial statements were prepared in accordance with generally accepted accounting principles;

Discussed with the Company's internal auditors and M&J the overall scope of their respective audits, results of their examinations, and quality of the Company's financial reporting;

Discussed with M&J the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees);

Received the written disclosures and the letter from M&J required by the applicable requirements of the Public Company Accounting Oversight Board regarding M&J's communications with the Audit Committee regarding independence; and

Discussed with M&J its independence from the Company and management.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

**Submitted by the Audit Committee:**

Alva J. Hopkins, III, Chairman

David H. Bluestein

Jerry W. Harper (bank-only director)

The foregoing report of the Audit Committee shall not be deemed to be incorporated by reference in any previous or future document filed by the Company with the SEC under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates the report by reference in any such document.

**Table of Contents****AUDIT FEES AND RELATED MATTERS****Audit and Non-Audit Fees**

M&J billed the Company for the following services during the years ended December 31, 2008 and 2007:

|                                   | Years Ended<br>December 31 |            |
|-----------------------------------|----------------------------|------------|
|                                   | 2008 <sup>(4)</sup>        | 2007       |
| Audit Fees <sup>(1)</sup>         | \$ 91,500                  | \$ 89,000  |
| Audit-Related Fees <sup>(2)</sup> | 12,405                     | 11,490     |
| Tax Fees <sup>(3)</sup>           | 7,350                      | 8,500      |
| Total Fees                        | \$ 111,255                 | \$ 108,990 |

- (1) Audit fees consist of fees billed for professional services rendered in connection with the audit of the annual consolidated financial statements and review of interim financial statements included in quarterly reports filed with the SEC.
- (2) Audit-related fees consist of billings for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. This category includes fees pertaining to audits and reviews of the Company's employee benefit plans.
- (3) Tax fees consist of fees billed for preparation of federal and state income tax returns and consultation related to same.
- (4) This amount includes all fees known to us through April 23, 2009.

The Audit Committee has concluded that the provision of the non-audit services listed above was compatible with maintaining the independence of M&J.

**Audit Committee Policy for Pre-Approval of Independent Auditor Services**

Consistent with its charter, the Audit Committee is required to pre-approve all audit and non-audit services provided by the independent auditors. The committee may delegate its pre-approval responsibility to a single member of the committee, provided that pre-approval decisions made by any such committee member is presented to the full committee at its next scheduled meeting. This responsibility has been delegated to the Chairman of the committee.

**OTHER DIRECTOR AND EXECUTIVE OFFICER INFORMATION****Compensation Committee Interlocks and Insider Participation**

Mr. Holland, who is currently CEO of the Company and its two subsidiaries, served as a non-voting member of the Compensation Committee during 2008.

During 2008, the Company's bank subsidiary engaged in customary banking transactions and had outstanding loans to certain directors, executive officers, principal shareholders, and their affiliates, including members of immediate families, of the Company and its subsidiaries. These loans were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. Such persons are expected to continue these transactions in the future. Additionally, in the ordinary course of business, the Company buys goods and services from directors who are not employees. Purchases of goods and services from directors were not material during 2008.

**Transactions with Related Persons, Promoters, and Certain Control Persons**

The Company does not consider credit relationships with directors and/or their affiliates to impair such director's independence as long as the terms of the credit relationship meet the substantive



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requirements of Federal Reserve Regulation O. This regulation requires insider loans to be made on substantially the same terms, including interest rates and collateral, and to follow credit-underwriting procedures that are no less stringent than those prevailing at the same time for comparable transactions with other persons. Such loans also may not involve more than the normal risk of repayment or present other unfavorable features. Additionally, no event of default may have occurred. The Board must review any credit to a director or his or her related interests that has become criticized (i.e., nonaccrual, past due, restructured, or a potential problem as defined by applicable regulation) in order to determine the impact such classification has on the director's independence.

Additionally, the Company does not consider independent a director who serves as an executive officer of a company to which credit has been extended unless such credit meets the substantive requirements of Regulation O. The Company does not consider independent any director who is an executive officer of a company that makes payments to, or receives payments from, the Company for property or services in excess of 2% of such director's company's consolidated gross revenues in any fiscal year.

## **Policies and Procedures for Approval of Related Party Transactions**

The Company recognizes that related party transactions can present potential or actual conflicts of interest and create the appearance of decisions contrary to the best interests of the Company and its shareholders. To address these concerns, the Board has adopted a formal, written policy with respect to related party transactions.

For the purpose of the policy, a related party transaction is a transaction in which the Company participates and a related party has a direct or indirect material interest, other than (1) transactions available to all employees or customers generally; (2) transactions involving less than \$120,000 when aggregated with all similar transactions; or (3) loans made by the Company in the ordinary course of business, made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with unrelated persons, and not involving more than normal risk of collectibility or presenting other unfavorable features.

Under the policy, any related party transaction must be reported to the Secretary and may be consummated or continued only if (i) the bank Executive Committee approves or ratifies such transaction and the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party; (ii) the transaction involves compensation that has been approved by the Compensation Committee; or (iii) the transaction has been approved by the disinterested members of the Board. The bank Executive Committee may approve or ratify the related party transaction only if the transaction is in the Company's best interests.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (Section 16(a)), requires the Company's directors, executive officers, and persons who own 10% or more of the Company's Common Stock to file reports of ownership and changes in ownership with the SEC. To the Company's knowledge, based solely on a review of the copies of Section 16(a) reports furnished to the Company during fiscal year 2008, all directors, executive officers, and 10% shareholders complied with all Section 16(a) filing requirements except Mr. Holland was one day late in reporting a purchase of 210 shares by his spouse (whose shares he disclaims beneficial ownership) and Messrs. Holland, Houser, and Ms. Beasley were four days late in reporting stock option grants.

## **ADDITIONAL INFORMATION**

### **Shareholder Proposals**

In order to be eligible for inclusion in the Company's proxy materials for next year's Annual Meeting of Shareholders, any shareholder proposal to take action at such meeting must be received at the

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Company's principal administrative office no later than December 24, 2009. Shareholder proposals should be delivered to the Secretary, Southeastern Banking Corporation, at P.O. Box 455, Darien, Georgia 31305, if by mail, and at 1010 North Way Street, Darien, Georgia 31305, if by courier. Any such proposal shall be subject to the requirements of the proxy rules adopted under SEC rules and regulations and, as with any shareholder proposal (regardless of whether included in the Company's proxy materials), the Company's Articles of Incorporation and Bylaws as well as Georgia law. Under the proxy rules, in the event that the Company receives notice of a shareholder proposal to take action at the next Annual Meeting that is not submitted for inclusion in the Company's proxy materials, or is submitted for inclusion but is properly excluded from such proxy materials, the persons named in the form of proxy sent by the Company to its shareholders will vote on such proposal as the Board recommends without any discussion of the proposal in the 2010 Proxy Statement if notice of the proposal is not received at the principal administrative office of the Company by March 9, 2010.

## **Proxy Solicitation**

The cost of soliciting proxies will be borne by the Company. The Company will reimburse brokerage firms and other custodians, nominees, and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company's Common Stock. In addition to solicitation by mail, directors, officers, and other employees of the Company may solicit proxies personally or by telephone, without additional compensation. The Company may also retain the services of a proxy solicitation firm, whose fees and expenses would be paid by the Company, although the Company has no present intention to retain any such firm.

## **Incorporation by Reference**

Corporate Governance from Part II of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 is incorporated by reference.

## **Other Matters**

The Meeting will be open to the public; however, only persons who can demonstrate shareholder status on April 1, 2009, the record date, and their proxies will be entitled to vote or ask questions at the Meeting. If your shares are held in a brokerage account or by another nominee, you must obtain and bring to the Meeting a proxy or other evidence of ownership from your broker or nominee giving you the right to vote such shares or ask a question.

The Board knows of no other matters which will be brought before the Meeting. If other matters are properly introduced, including a proposal omitted from this Proxy Statement pursuant to SEC rules or incident to the conduct of the Meeting, the persons named in the enclosed proxy will vote on such matters as the Board recommends.

By Order of the Board of Directors,

/s/ Wanda D. Pitts

WANDA D. PITTS, Secretary

April 23, 2009

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|  |   |                               |                               |
|--|---|-------------------------------|-------------------------------|
| <p><b>X</b> PLEASE MARK VOTES<br/>AS IN THIS EXAMPLE</p>                             | <p><b>SOUTHEASTERN BANKING CORPORATION</b><br/><b>PROXY</b></p> | <p><b>For All</b></p>         | <p><b>For All</b></p>         |
| <p><b>ANNUAL MEETING OF SHAREHOLDERS</b><br/><br/><b>TO BE HELD MAY 13, 2009</b></p> | <p>1. PROPOSAL TO ELECT SIX DIRECTORS FOR ONE YEAR TERMS:</p>   | <p><b>Nominees</b><br/>..</p> | <p><b>Withhold</b><br/>..</p> |
|  |   | <p><b>Except</b><br/>..</p>   |                               |

**This Proxy is solicited by the Board of Directors.**

Alyson G. Beasley, Leslie H. Blair, David H. Bluestein, Cornelius P. Holland, III, Alva J. Hopkins, III, A. Wade Strickland

The undersigned, having received the Notice of Annual Meeting of Shareholders and Proxy Statement dated April 23, 2009 and a copy of the Southeastern Banking Corporation 2008 Form 10-K and revoking previous proxies, hereby appoints Cornelius P. Holland, III and Alyson G. Beasley, and each of them, proxies with full power of substitution, to vote for the undersigned all shares of common stock of Southeastern Banking Corporation (the Company) that the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders to be held on May 13, 2009, at 3:00 p.m. local time at Southeastern Bank, **15 Trade Street, Brunswick, Georgia**, and at any adjournment or postponement thereof, upon the matters described at right and in the accompanying Proxy Statement dated April 23, 2009, and upon any other business that may properly come before such Annual Meeting or any adjournment or postponement thereof, unless otherwise specified herein.

**INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark For All Except and write that nominee's name on the line below.**

|   |                   |                       |                       |
|---|-------------------|-----------------------|-----------------------|
|   | <p><b>For</b></p> | <p><b>Against</b></p> | <p><b>Abstain</b></p> |
| <p>2. PROPOSAL TO SET THE NUMBER OF DIRECTORS AT 9.</p>                                       | <p>..</p>         | <p>..</p>             | <p>..</p>             |
| <p>3. PROPOSAL TO APPROVE THE APPOINTMENT OF INDEPENDENT AUDITORS BY THE AUDIT COMMITTEE.</p> | <p>..</p>         | <p>..</p>             | <p>..</p>             |

**The proxies, in their discretion, are further authorized to vote a) for the election of a person to the Board of Directors if any nominee named herein becomes unable to serve or for good cause will not serve, b) on any matter which the Board of Directors did not know would be presented to the 2009 Annual Meeting of Shareholders by a reasonable time before the proxy solicitation was made, or c) on other matters which may properly come before the 2009 Annual Meeting of Shareholders and any adjournment or postponement thereof.**

You are encouraged to specify your choices by marking the appropriate boxes above, but you need not mark any boxes if you wish to vote in accordance with the Board of Director's recommendations. The proxies cannot vote your shares unless you sign and return this card.

Please be sure to date and sign \_\_\_\_\_ Date

this Proxy in the box below.

**THIS PROXY WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED AS RECOMMENDED BY THE BOARD OF DIRECTORS.**

Sign above

Co-holder (if any) sign above

**⤴ Detach above card, sign, date and mail in postage paid envelope provided. ⤵**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 13, 2009: The Company's Proxy Statement, Summary Annual Report, and Form 10-K are available at [www.cfpproxy.com/5022](http://www.cfpproxy.com/5022).**

**IMPORTANT:** Please date and sign exactly as your name(s) appear(s) on this Proxy; if shares are held jointly, all joint owners must sign. An executor, administrator, trustee, guardian, or other person signing in a representative capacity must give his or her full title. A corporation must sign in full corporate name by its president or other authorized officer. A partnership must sign in partnership name by an authorized person.

**PLEASE ACT PROMPTLY**

**DATE, SIGN, & MAIL YOUR PROXY CARD TODAY**

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

5022