FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of SECURITY EXCHANGE BANK MARIETTA, GEORGIA (INSURED STATE NONMEMBER BANK)	)	ORDER TO CEASE AND DESIST FDIC-08-352b

Security Exchange Bank, Marietta, Georgia ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of regulation alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and the Ga. Code Ann. § 7-1-91, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with a representative of the Legal Division of the Federal Deposit Insurance Corporation ("FDIC") and the Commissioner ("Commissioner") for the State of Georgia, Department of Banking and Finance ("DEPARTMENT"), dated February 27, 2009, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the DEPARTMENT.

The FDIC and the DEPARTMENT considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed violations of regulation. The FDIC and the DEPARTMENT, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its Bank-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns cease and desist from the following unsafe and unsound banking practices and violations of regulations:

(a) Operating with management and Board of Directors ("Board") oversight, whose policies and procedures are not adequate for the Bank and jeopardize the safety and soundness of the Bank;

(b) Operating with equity capital and reserves that need to be increased in relation to the volume and quality of assets held by the Bank;

(c) Operating with a large volume of poor quality loans;

(d) Operating with an insufficient allowance for loan and lease losses ("ALLL") and policies that need to be enhanced;

(e) Operating with lax underwriting and weak loan administration practices;

(f) Operating with provisions for liquidity and funds management that need to be enhanced;

(g) Operating in apparent violation of regulation and/or Statements of Policy as more fully discussed in the FDIC Report of Examination dated June 30, 2008 ("ROE"); and

(h) Operating in such a manner as to produce operating losses.

IT IS FURTHER ORDERED, that the Bank, its Bank-affiliated parties, and its successors and assigns, take affirmative action as follows:

MANAGEMENT

The Bank shall have and retain qualified management.

1. (a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include the chief executive officer, senior lending officer, and chief financial officer. All management officials shall have the appropriate level of experience and expertise that is needed to perform his or her duties. Each member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

(b) The qualification of management shall be assessed on their ability to:

(i) Comply with the requirements of this ORDER;

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

(iii) Comply with applicable laws and regulations; and

(iv) Restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(c) No more than 60 days from the effective date of this ORDER, the Board shall develop a written analysis and assessment of the Bank's management and staffing needs ("management plan"), which shall include, at a minimum:

(i) Identification of both the type and number of officers positions needed to manage and supervise properly the affairs of the Bank. This identification should take into consideration the Bank's current financial condition and problem assets;

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

(iii) Evaluation of each Bank officer to determine whether these individuals possess the ability, experience, and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and maintenance of the Bank's safe and sound condition; and

(iv) A plan of action to recruit and hire any additional or replacement personnel with the requisite ability, experience, and other qualifications, which the Board determines are necessary to fill Bank officer positions consistent with the Board analysis, evaluation, and assessment as provided in this ORDER.

(d) The written management plan and any subsequent modification thereto shall be submitted to the FDIC and the DEPARTMENT (collectively, "Supervisory Authorities") for review and comment. No more than 30 days from the receipt of any comment from the Supervisory Authorities, after consideration of such comments, the Board shall approve the written management plan and any subsequent modification of such plan. The approval shall be recorded in the Board minutes.

(e) During the life of this ORDER, the Bank shall provide written notice to the Supervisory Authorities when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer as that term is defined in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101. The notification to the Supervisory Authorities shall comply with the requirements set forth in 12 C.F.R. Part 303, Subpart F. The notification should include a description of the background and experience of the individual or individuals to be added or employed and must be received at least 60 days before such addition or employment is intended to become effective. If the Regional Director issues a notice of disapproval pursuant to section 32 of the Act, 12 U.S.C. § 1831i with respect to any proposed individual, then such individual may not be added or employed by the Bank.

(f) The Bank shall notify the Supervisory Authorities in writing of any resignations or terminations of any members of its Board or any of its senior officer(s) within 15 days of the event.

BOARD OF DIRECTORS

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

(b) Within 30 days from the effective date of this ORDER, the Board shall establish a Board committee (“Directors’ Committee”), consisting of at least four members, responsible for ensuring compliance with the ORDER, overseeing corrective measures with respect to the ORDER, and reporting to the Board. Three of the members of the Directors’ Committee shall not be Bank officers. Bank management shall provide the Directors’ Committee with monthly reports detailing the Bank’s actions with respect to compliance with the ORDER. The Directors’ Committee shall present a report detailing the Bank’s adherence to the ORDER to the Board at each regularly scheduled Board meeting. Such report and any discussion related to the report or the ORDER shall be recorded in the appropriate minutes of the Board meeting and shall be retained in the Bank's records. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

CAPITAL

3. (a) Within 90 days of the effective date of this ORDER, the Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an ALLL:

(i) Tier 1 capital at least equal to 8 percent of total assets;

(ii) Tier 1 risk-based capital at least equal to 8 percent of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to 10 percent of total risk-weighted assets.

(b) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(c) In the event any ratio falls below the established minimum, the Bank shall notify the Supervisory Authorities and shall increase capital in an amount sufficient to comply with this provision within 30 days.

(d) Within 30 days of the effective date of this ORDER, the Board shall develop a capital plan that shall be submitted to the Supervisory Authorities for review and comment. Within 30 days of receipt of all such comments from the Supervisory Authorities, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the Board minutes. Thereafter, the Bank shall implement and fully comply with the capital plan. The Board shall review and update the Bank's capital plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Supervisory Authorities for their review and comment. At a minimum, the capital plan shall include:

(i) Specific plans to achieve the capital levels required under the plan and this ORDER;

(ii) Specific plans for the maintenance of adequate capital that may in no event be less than the requirements of the provisions of this paragraph; and

(iii) Projections for asset growth and capital requirements, and such projections shall be based upon a detailed analysis of the Bank's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Bank's strategic business plan;

(e) Any increase in capital necessary to meet the requirements of the provisions of this paragraph may be accomplished by the following:

(i) The sale of new securities in the form of common stock;

(ii) The sale of noncumulative perpetual preferred stock;

(iii) The direct contribution of cash by the directors, shareholders, or parent holding company of the Bank; or

(iv) Any other method acceptable to the Supervisory Authorities and approved in advance in writing by the Supervisory Authorities.

(f) No increase in Tier 1 capital necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's ALLL or other reserve accounts.

Further, the Bank shall not lend funds directly or indirectly, whether secured or unsecured, to any borrower for the purpose of purchasing Bank or affiliate stock or other securities until such time as the Bank has achieved the increase in Tier 1 capital required herein.

(g) If all or part of the increase in capital required by the provisions of this paragraph is accomplished by the sale of new securities by the Bank, the Bank's Board shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the Bank's securities shall be submitted to the FDIC's Accounting and Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 and to the Commissioner, Department of Banking and Finance, 2990 Brandywine Road, Suite 200, Atlanta, Georgia 30341 for review. Any changes requested by the Supervisory Authorities to be made in the plan or materials by the FDIC shall be made prior to their dissemination. If the Supervisory Authorities allow any part of the increase in Tier 1 capital to be provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to the interest rate and any convertibility factor, shall be presented to the Supervisory Authorities for prior approval.

(h) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations.

DIVIDENDS

4. While this ORDER is in effect, the Bank shall not declare or pay any cash dividends without the prior written approval of the Supervisory Authorities.

CHARGE-OFF

5. (a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the ROE that have not been previously collected or charged-off.

(b) Additionally, while this ORDER remains in effect, the Bank shall, within 30 days of the receipt of any future report of examination or visitation of the Bank from the Supervisory Authorities, eliminate from its books, by collection, charge-off, or other proper entries, the remaining balance of any assets classified "Loss" and 50 percent of those classified "Doubtful" unless otherwise approved in writing by the Supervisory Authorities.

REDUCTION OF CLASSIFIED ITEMS

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and adopt a written plan to reduce the Bank's risk position in each asset, in excess of $200,000, which is classified "Substandard" or "Doubtful" in the ROE. (For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as

the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank’s collateral position.

(b) In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

(i) A quarterly schedule for reducing the outstanding dollar amount of adversely classified assets;

(ii) A schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank’s projected Tier 1 capital plus the ALLL;

(iii) A provision for the Bank’s submission of monthly written progress reports to its Board; and

(iv) A provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Board.

(c) The plan mandated by this provision shall further require a reduction in the aggregate balance of assets classified "Substandard" and "Doubtful" in the Report in accordance with the following schedule.

(i) Within 180 days, a reduction of twenty-five percent (25%) in the balance of assets classified “Substandard” or “Doubtful;”

(ii) Within 360 days, a reduction of forty-five percent (45%) in the balance of assets classified “Substandard” or “Doubtful;” and

(iii) Within 540 days, a reduction of sixty percent (60%) in the balance of assets classified “Substandard” or “Doubtful”.

(d) The requirements of this paragraph do not represent standards for future operations of the Bank. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets. The plan may include a provision for increasing Tier 1 capital when necessary to achieve the prescribed ratio.

(e) The Bank shall immediately submit the written reduction plan to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the plan. Such plans shall be monitored and progress reports thereon shall be submitted to the Supervisory Authorities at 90-day intervals concurrently with the other reporting requirements set forth in this ORDER.

NO ADDITIONAL CREDIT

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

(b) While this ORDER is in effect, the Bank shall not make any further extensions of credit, directly or indirectly, to any borrower whose loans are adversely classified "Substandard" by the FDIC or the DEPARTMENT. Paragraph 7 (b) of this ORDER shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Bank's Board, or a designated committee thereof, who shall certify, in writing:

(i) Why failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;

(ii) That the extension of such credit would improve the Bank's position, including an explanatory statement of how the Bank’s position would improve;

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

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

LENDING POLICY

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement its written lending policy to provide effective guidance and control over the Bank’s lending function, which policy shall include, at a minimum, revisions to address all items of criticism, including all credit underwriting and administration issues, enumerated in the ROE. The written lending and collection policy must contain specific guidelines for placing loans on a nonaccrual basis, policies and procedures regarding capitalized interest and interest reserve procedures, require a determination that loan officers have the necessary expertise to make, monitor, and service the types and kinds of loans that will be assigned to them, and guidelines for the issuance of interest-only loans. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio. Such policy and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

(b) Within 60 days of the effective date of this ORDER, the Board shall develop a program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits.

CONCENTRATIONS OF CREDIT

9. Within 60 days from the effective date of this ORDER, the Bank shall perform a risk segmentation analysis with respect to the Concentrations of Credit listed on the Concentrations pages of the ROE and any other concentration deemed important by the Bank. Concentrations should be identified by product type, geographic distribution, underlying collateral or other asset groups which are considered economically related and in the aggregate represent a large portion of the Bank's capital account. A copy of this analysis will be provided to the Supervisory Authorities and the Board agrees to develop a plan to reduce any segment of the portfolio which the Supervisory Authorities deem to be an undue concentration of credit in relation to the Bank's capital account. The plan and its implementation shall be in a form and manner acceptable to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

ALLOWANCE FOR LOAN AND LEASE LOSSES

10. Within 30 days from the effective date of this ORDER, the Board shall review the adequacy of the ALLL and establish a comprehensive policy for determining the adequacy of the ALLL. The comprehensive policy for determining the adequacy of the ALLL will be in full compliance with outstanding regulatory and accounting guidance. For the purpose of this determination, the adequacy of the ALLL shall be determined after the charge-off of all loans or other items classified "Loss." The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed at least ten days prior to the end of each quarter, in order that the findings of the Board with respect to the ALLL may be properly

reported in the quarterly Reports of Condition and Income. The review should focus on the results of the Bank's internal loan review, loan and lease loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. Such review shall, at a minimum, include the Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income, the Interagency Statement of Policy on the ALLL, and other applicable regulatory guidance that addresses the adequacy of the Bank's ALLL. A deficiency in the ALLL shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition and Income, by a charge to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. The Bank's policy for determining the adequacy of the Bank's ALLL and its implementation shall be satisfactory to the Supervisory Authorities as determined at subsequent examinations and/or visitations.

EARNINGS

11. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and fully implement a written plan to improve earnings at the Bank. The plan shall be forwarded to the Supervisory Authorities for review and comment and shall address (at a minimum):

(i) Goals and strategies for improving the earnings of the Bank;

(ii) An identification of the major areas that the Board will seek to improve the Bank's operating performance;

(iii) Realistic and comprehensive budgets; and

(iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense items.

(b) Following the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the plan required by subparagraph 11(a) of this ORDER and shall record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Board meeting at which such evaluation is undertaken.

VIOLATIONS OF REGULATION

12. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of regulation and contraventions of Statements of Policy that are contained in the ROE and shall adopt and implement appropriate procedures to ensure future compliance with all such applicable federal and state laws, regulations, and/or statements of policy.

POLICY FOR LIQUIDITY AND FUNDS MANAGEMENT

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

BROKERED AND INTERNET DEPOSITS

14. (a) Upon the effective date of this ORDER, and so long as this ORDER is in effect, the Bank shall not increase the amount of brokered deposits above the amount outstanding as of the effective date of this ORDER. Within 10 days of the effective date of this ORDER, the Bank shall submit a written plan for eliminating its reliance on brokered deposits to the Supervisory Authorities for review and comment. The plan shall detail the current composition of brokered deposits by maturity and explain the means by which such deposits will be paid. Within 30 days

of receipt of all such comments from the Supervisory Authorities, and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the Board minutes. Thereafter, the Bank shall implement and fully comply with the plan. For purposes of this ORDER, brokered deposits are defined in section 337.6(a)(2) of the FDIC Rules and Regulations, 12 C.F.R. §337.6(a)(2), to include any deposits funded by third-party agents or nominees for depositors, including deposits managed by a trustee or custodian when each individual beneficial interest is entitled to or asserts a right to federal deposit insurance.

(b) The Bank shall provide a written progress report to the Supervisory Authorities detailing the level, source, and use of brokered deposits with specific reference to progress under the Bank's plan together with the progress report required by this paragraph.

(c) The Bank shall comply with the restrictions on the effective yields on deposits described in 12 C.F.R. § 337.6(b)(4).

PROGRESS REPORTS

15. Within 30 days of the end of the first quarter following the effective date of this ORDER, and within thirty (30) days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports shall include a copy of the Bank's Report of Condition and the Bank's Report of Income. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Supervisory Authorities have released the Bank in writing from making further reports.

DISCLOSURE TO SHAREHOLDERS

16. Following the issuance of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next

shareholder communication or (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 and to the Commissioner of the DEPARTMENT, 2990 Brandywine Road, Suite 200, Atlanta, Georgia 30341, to review at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and the DEPARTMENT shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER shall become immediately on the date of its issuance. The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and the DEPARTMENT.

Pursuant to delegated authority.

Dated at Atlanta, Georgia, this 10th day of March, 2009.

/s/

Mark S. Schmidt
Regional Director
Atlanta Region
Federal Deposit Insurance Corporation

The Georgia Department of Banking and Finance, having duly approved the foregoing ORDER, pursuant to Ga. Code Ann. § 7-1-91, and the Bank, through its Board, agree that the issuance of the said ORDER by the Federal Deposit Insurance Corporation shall be binding as between the Bank and the Georgia Commissioner of Banking and Finance to the same degree and legal effect that such ORDER would be binding on the Bank if the Georgia Commissioner of Banking and Finance had issued a separate Order that included and incorporated all of the provisions of the foregoing ORDER.

Dated this __________day of ________________, 2009.

By:____________________________
Robert M. Braswell
Commissioner of the Department of Banking and Finance
State of Georgia