

**JEFFERSON SECURITY BANK**  
**P. O. Box 35**  
**Shepherdstown, West Virginia 25443**

**NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS**

TIME .....	11:00 a.m., EDT, on Wednesday, April 29, 2009 Registration will begin at 10:00 a.m.
PLACE .....	Bavarian Inn 164 Shepherd Grade Road Shepherdstown, West Virginia 25443
ITEMS OF BUSINESS .....	(1) To elect nine directors to serve until the Annual Meeting in 2010;  (2) To approve amendments to the Bank's By-Laws to include advance notice of nominations and proposals and to revise provisions related to special meetings requested by shareholders;  (3) To ratify the selection of Yount, Hyde & Barbour, P.C., as the Bank's independent auditors for the fiscal year ending December 31, 2009; and  (4) To transact such other business as may properly come before the Meeting. The Board of Directors at present knows of no other business to come before the Annual Meeting.
RECORD DATE .....	Only those shareholders of record at the close of business on March 13, 2009 shall be entitled to notice and to vote at the Meeting.
ANNUAL REPORT.....	Our 2008 Annual Report, which is not a part of the proxy materials, is enclosed.
PROXY VOTING .....	It is important that your shares be represented and voted at the Meeting. Please MARK, SIGN, DATE and PROMPTLY RETURN the enclosed proxy in the postage-paid envelope. Any proxy may be revoked prior to its exercise at the Annual Meeting.

April 3, 2009

By Order of the Board of Directors,



William E. Knode, Jr.  
Chairman of the Board of Directors

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 29, 2009**

This proxy statement, along with our 2008 Annual Report, are available free of charge on the following website: [www.jeffersonsecuritybank.com](http://www.jeffersonsecuritybank.com).

## TABLE OF CONTENTS

	Page
PROXY STATEMENT .....	1
Principal Executive Office of the Bank .....	1
Shareholders Entitled to Vote .....	1
Proxies .....	1
Vote By Mail .....	1
Voting at the Annual Meeting.....	1
Voting on Other Matters .....	1
Required Vote .....	1
Cumulative Voting.....	2
Cost of Proxy Solicitation.....	2
Shareholder Account Maintenance .....	2
Section 16(a) Beneficial Ownership Reporting Compliance .....	2
GOVERNANCE OF THE BANK.....	3
Board and Committee Membership .....	3
Executive Committee.....	3
Audit Committee.....	3
Compensation and Benefits Committee.....	4
The Compensation Processes and Procedures .....	5
Nominating Committee.....	5
Independence of Directors and Nominees .....	7
Related Transactions.....	8
Shareholder Communications with Directors .....	8
Board Member Attendance at Annual Meeting .....	8
Corporate Governance .....	8
ITEM 1 -- ELECTION OF DIRECTORS .....	10
Security Ownership of Directors and Executive Officers.....	10
DIRECTORS WHOSE TERMS EXPIRE IN 2009 AND NOMINEES FOR DIRECTOR.....	11
COMMON STOCK OWNERSHIP OF EXECUTIVE OFFICERS AND PRINCIPAL SHAREHOLDERS.....	13
Beneficial Ownership of Executive Officers .....	13
Beneficial Ownership of Principal Shareholders .....	13
ITEM 2 -- APPROVAL OF AMENDMENTS TO THE BANK'S BY-LAWS.....	14
Summary of the Proposed Amendments to the By-Laws .....	14
Procedural Requirements for a Shareholder Requesting a Special Meeting.....	14
Procedural Requirements for Advance Notice of Shareholder Proposals and Nominations for Directors .....	14
Potential Anti-Takeover Effects of Amendments to the By-Laws .....	16
Vote Required for Approval .....	17

ITEM 3 -- APPROVAL OF AUDITORS.....	18
AUDIT COMMITTEE REPORT .....	19
Fees Paid to Independent Auditor.....	19
Fees Paid to Yount, Hyde & Barbour, P.C. ....	19
Audit Committee.....	20
EXECUTIVE OFFICERS .....	21
EXECUTIVE COMPENSATION .....	22
Cash Compensation .....	22
DIRECTOR COMPENSATION .....	23
EMPLOYEE AGREEMENTS AND EMPLOYEE BENEFITS .....	24
Employment Agreements.....	24
Agreement with Mr. Morris .....	24
Agreement with Ms. Kitner .....	26
Agreements with Mr. Barron and Mr. Goodrich.....	28
Employee Benefits.....	30
REQUIREMENTS, INCLUDING DEADLINE, FOR SUBMISSION OF PROXY PROPOSALS, NOMINATION OF DIRECTORS AND OTHER BUSINESS OF SHAREHOLDERS .....	31
Stock Transfers .....	31
ANNUAL REPORT .....	32
FORM 10-K.....	32
APPENDIX A -- AUDIT COMMITTEE CHARTER	
APPENDIX B -- COMPENSATION AND BENEFITS COMMITTEE CHARTER	
APPENDIX C -- NOMINATING COMMITTEE CHARTER	
APPENDIX D -- CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS	
APPENDIX E -- BY-LAWS OF JEFFERSON SECURITY BANK	

---

## PROXY STATEMENT

---

These proxy materials are delivered in connection with the solicitation by the Board of Directors of Jefferson Security Bank (“Jefferson,” the “Company,” the “Bank,” “we,” or “us”), a West Virginia state bank, of proxies to be voted at our 2009 Annual Meeting of Shareholders and at any adjournment or postponement.

You are invited to attend our Annual Meeting of Shareholders on Wednesday, April 29, 2009, beginning at 11:00 a.m. The Meeting will be held at The Bavarian Inn, 164 Shepherd Grade Road, Shepherdstown, West Virginia.

This Proxy Statement, form of proxy and voting instructions are being mailed starting on or about April 3, 2009.

### **Principal Executive Office of the Bank**

The principal executive office of the Bank is located at 105 E. Washington Street, Shepherdstown, West Virginia 25443. The mailing address for the principal executive office is P. O. Box 35, Shepherdstown, West Virginia 25443.

### **Shareholders Entitled to Vote**

Holders of record of Jefferson Security Bank common shares at the close of business on March 13, 2009, are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 293,612 common shares outstanding. Each common share is entitled to one vote on each matter properly brought before the Annual Meeting.

### **Proxies**

Your vote is important. Shareholders of record may vote their proxies by mail. If you choose to vote by mail, a postage-paid envelope is provided.

Proxies may be revoked at any time before they are exercised by (1) written notice to the Proxy Committee, (2) timely delivery of a

valid, later-dated proxy or (3) voting at the Annual Meeting.

**You may save us the expense of a second mailing by voting promptly.** Choose one of the following voting methods to cast your vote.

### **Vote By Mail**

If you choose to vote by mail, simply mark your proxy, date and sign it, and return it to us in the postage-paid envelope provided.

### **Voting at the Annual Meeting**

The method by which you vote now will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Annual Meeting.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting in accordance with your instructions. If you sign your proxy card but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board of Directors.

### **Voting on Other Matters**

If any other matters are properly presented at the Annual Meeting for consideration, the persons named in the enclosed form of proxy intend to exercise their discretionary authority in accordance with applicable federal and state laws and regulations to vote on those matters for you. At the date this proxy statement went to press, we do not know of any other matter to be raised at the Annual Meeting.

### **Required Vote**

The presence, in person or by proxy, of the holders of a majority of the votes cast by the

shareholders entitled to vote at the Annual Meeting is necessary to constitute a quorum. Abstentions and broker “non-votes” are counted as present and entitled to vote for purposes of determining a quorum. A broker “non-vote” occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

On the record date, there were 293,612 shares of common stock outstanding which are held by approximately 576 shareholders of record. A majority of the outstanding shares of Jefferson Security Bank will constitute a quorum at the meeting.

A plurality of the votes cast is required for the election of directors. Abstentions and broker “non-votes” are not counted for purposes of the election of directors.

In the election of directors, every shareholder has the right of cumulative voting, in person or by proxy. An explanation of cumulative voting is set forth on this page under the heading “Cumulative Voting”.

The affirmative vote of a majority of the votes cast is required to approve the amendments to the Bank’s By-Laws and the appointment of Yount, Hyde & Barbour, P.C., as the Bank’s independent auditors for the fiscal year ending December 31, 2009. Abstentions and broker “non-votes” are not counted for purposes of approving this matter.

### **Cumulative Voting**

At our 2009 Annual Meeting, the number of directors to be elected is nine. In the election of directors, each shareholder has the right to cast one vote for each directorship to be filled for each share of stock held on the record date. If you wish to exercise, by proxy, your right to cumulative voting in the election of directors, you must provide a proxy showing how your votes are to be distributed among one or more candidates. Unless contrary instructions are given by a shareholder who signs and returns a proxy, all votes for the election of directors

represented by such proxy will be divided equally among the nine nominees. If cumulative voting is invoked by any shareholder, the vote represented by the proxies delivered pursuant to this solicitation, which do not contain contrary instructions, may be cumulated at the discretion of the Board of Directors of Jefferson Security Bank in order to elect to the Board of Directors the maximum nominees named in this Proxy Statement.

### **Cost of Proxy Solicitation**

We will pay the expenses of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees in person or by telephone, electronic transmission, or by facsimile transmission. Brokers, fiduciaries, custodians, and other nominees have been requested to forward solicitation materials to the beneficial owners of the Bank’s common stock. Upon request we will reimburse these entities for their reasonable expenses.

### **Shareholder Account Maintenance**

Registrar and Transfer Company is our Transfer Agent. All communications concerning accounts of shareholders of record, including address changes, name changes, inquiries as to requirements to transfer common shares and similar issues can be handled by contacting Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016-3572, (800) 368-5948, [www.rtc.com](http://www.rtc.com).

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

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and shareholders owning 10% or more of the common stock of the Bank to file reports of holdings and transactions in Jefferson Security Bank shares with the Federal Deposit Insurance Corporation (“FDIC”). Based on our records and other information, in 2008 all directors, executive officers and shareholders owning 10% or more of the common stock of the Bank met all applicable Securities and Exchange Commission (“SEC”) filing requirements under Section 16(a).

---

## GOVERNANCE OF THE BANK

---

### Board and Committee Membership

During 2008, the Board of Directors met 12 times. All of our directors attended 75% or more of the aggregate meetings of the Board of Directors and the Committees of the Board on which the directors served in 2008.

The Bank has a standing Executive Committee, Audit Committee, Compensation and Benefits Committee, and a Nominating Committee.

### Executive Committee

The current members of the Executive Committee are: William E. Knode, Jr., Chair, James M. Davis, Albert F. Kave, Eric J. Lewis, K. Stephen Morris, and Frederick K. Parsons. The Executive Committee met nine times in 2008. Among other functions, the Executive Committee considers loan applications in excess of individual officer or committee limits and acts on behalf of the Board of Directors during the time between Board meetings. The Executive Committee meets on an as needed basis.

### Audit Committee

The responsibilities of the Audit Committee are:

- To provide for an internal audit function to serve the Bank in an examining and advisory capacity.
- To provide for the appointment, compensation, retention and oversight of the work of external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Bank.
- To serve as a focal point and reporting outlet for communications among non-committee directors, corporate management, internal auditors, and independent auditors.

- To assist the Board of Directors in fulfilling its fiduciary responsibilities for financial reporting and internal accounting and operations controls.

- To ensure receipt from the independent auditors of a formal written statement delineating all relationships between the independent auditor and the Bank, consistent with Independence Standards Board Standard No. 1.

- To actively engage in dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and to take or recommend that the full Board of Directors take, appropriate action to oversee the independence of the independent auditors.

- To act as an agent for the Board of Directors to help ensure the independence of internal auditors and independent auditors, the integrity of management, and the adequacy of disclosures to shareholders.

- To assess the Bank's processes regarding compliance with applicable laws, regulations and its Code of Ethics for Senior Financial Officers, including those matters that could have a significant impact on the financial statements, compliance with policies, reports from regulators and the provisions of the Code of Ethics for Senior Financial Officers.

In carrying out these responsibilities, the Audit Committee has the following duties:

- Annually review and reassess the adequacy of its charter and submit it to the Board of Directors for approval when changes are made.
- Review the annual audited financial statements with management and the independent auditors, including major issues

regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Bank's financial statements.

- Based on the review and discussions noted above, recommend to the Board of Directors that the audited financial statements be included in the Bank's Annual Report on Form 10-K.

- Ensure that the independent auditors review the financial information included in reports on Form 10-Q prior to filing with the FDIC, as required.

The Audit Committee has adopted a written charter. A copy of the Audit Committee Charter is attached to this Proxy Statement as Appendix A.

The current members of the Audit Committee are: Eric J. Lewis, Chair, Monica W. Lingenfelter, Suellen D. Myers, Frederick K. Parsons, and John W. Snyder. In 2008, the Audit Committee met six times.

Pursuant to the provisions of the Sarbanes-Oxley Act, which was enacted in 2002, the SEC adopted rules requiring companies to disclose whether or not at least one member of the audit committee is an "audit committee financial expert" as defined in such rules.

Mr. Lewis, Chair of the Audit Committee, meets the criteria set forth in the rules which would qualify him as an audit committee financial expert. Mr. Lewis is independent based on the subjective and objective criteria developed by the NASDAQ listing standards and the SEC rules. The current Audit Committee members have been selected by the Board of Directors based on the Board's determination that they are fully qualified to monitor the performance of management and the Bank's financial condition, and to oversee its internal accounting operations and its independent auditors. In addition, the Audit Committee has been authorized to retain independent accounting, legal or other consultants to assist it in performing these functions, as it deems appropriate.

For information concerning the audit fees paid by the Bank in 2008 and 2007 and for information about the Bank's auditors generally, see the section entitled "Audit Committee Report" on page 19 of this Proxy Statement.

### **Compensation and Benefits Committee**

The purposes of the Compensation and Benefits Committee are to (i) review the performance evaluation of the Chief Executive Officer, "CEO", (ii) discuss the recommendations of the CEO with regard to the compensation and benefit arrangements of the other executive officers and (iii) recommend to the Board of Directors for approval salary adjustments and other matters pertaining to the compensation of the CEO and other executive officers. In carrying out these purposes, the Compensation and Benefits Committee has the following duties and responsibilities:

- Evaluating the performance of the CEO.
- Reviewing and discussing the recommendations made by the CEO with regard to the compensation and benefit arrangements of the other executive officers.
- Recommending the annual salary of the CEO and other executive officers to the Board of Directors for approval based upon the evaluation of the performance of the CEO and the recommendations from the CEO with regard to the other executive officers.
- Reviewing and making recommendations to the Board of Directors for approval compensation packages for new executive officers and termination packages for executive officers.
- Monitoring the Bank's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits.

The current members of the Compensation and Benefits Committee are: James M. Davis, Chair, Monica W. Lingenfelter, Suellen D. Myers, and John W. Snyder. The

Compensation and Benefits Committee met three times in 2008.

The Compensation and Benefits Committee has adopted a written charter. A copy of the Compensation and Benefits Committee Charter is attached to this Proxy Statement as Appendix B.

### **The Compensation Processes and Procedures**

The Compensation and Benefits Committee's primary processes and procedures for establishing and overseeing executive compensation include:

- *Scope of Authority.* The Committee discharges the Board's responsibility in matters relating to: (i) the evaluation of the performance of the CEO, (ii) the determination of salary adjustments and other compensation of the CEO and other executive officers, (iii) compensation packages for new executive officers, and (iv) termination packages for current executive officers.

The Committee reports its actions and recommendations to the Board of Directors at the next scheduled meeting of the Board of Directors held after each Committee meeting.

- *Delegation of Authority.* The Committee has the authority to delegate to a subcommittee such of its duties and responsibilities as it deems appropriate.

- *Role of Executive Officers.* The CEO provides the Committee with recommendations as to the compensation and benefits arrangements of each of the other executive officers.

- *Role of Independent Consultant.* The Committee has the authority to retain outside counsel and any other advisors as the Committee may deem appropriate in its sole discretion. The Committee also has the sole authority to approve related fees and retention terms. The Committee has not retained the services of any independent consultant in reviewing and approving the form and amount of executive and director compensation.

- *Director Compensation.* The monthly retainer paid to members of the Board of Directors, the fees for attendance at Board committee meetings, and the fees for serving as committee chairs are set annually by the full Board of Directors and not by the Compensation and Benefits Committee.

### **Nominating Committee**

The purpose of the Nominating Committee is to identify and review candidates for director positions and to submit nominees for election. The Bank's Nominating Committee consists of the following members: Albert F. Kave, Eric J. Lewis, Monica W. Lingenfelter, Suellen D. Myers, Frederick K. Parsons, and John W. Snyder. The Nominating Committee met one time in 2008.

The Nominating Committee has adopted a written charter relating to nominations to the Board of Directors of the Bank. A copy of the Nominating Committee Charter is attached to this Proxy Statement as Appendix C and addresses:

- Membership requirements of the Nominating Committee, including, among other things, that each member be independent;
- The authority and responsibilities of the Nominating Committee;
- The procedure for identifying and evaluating candidates;
- The minimum qualifications for nominees for director; and
- The procedure for shareholders to submit an individual for consideration as a nominee.

In identifying and evaluating nominees for the Board of Directors, the Nominating Committee will first consider qualified incumbent directors. The Nominating Committee evaluates the qualifications and performance of the incumbent directors that desire to continue their service to determine whether the incumbent directors continue to satisfy the minimum qualifications for directors

and whether there are any considerations against re-nominating an incumbent director. The Nominating Committee will also assess and review the performance of the incumbent director during the preceding term.

The Nominating Committee will identify and evaluate new candidates for election to the Board of Directors where there is no qualified and available incumbent, including for the purpose of filling vacancies arising by reason of the resignation, retirement, removal, death or disability of an incumbent director or a decision of the directors to expand the size of the Board of Directors. The Nominating Committee will solicit recommendations for nominees from persons that the Nominating Committee believes are likely to be familiar with qualified candidates. These persons may include members of the Board of Directors, including members of the Committee, and management of the Bank. The Committee may also determine to engage a professional search firm to assist in identifying qualified candidates. Where such a search firm is engaged, the Committee shall set its fees and scope of engagement.

As to each recommended candidate that the Committee believes merits consideration, the Committee will:

- Cause to be assembled information concerning the background and qualifications of the candidate;
- Determine if the candidate satisfies the minimum qualifications required by the Nominating Committee of candidates for election as director;
- Determine if the candidate possesses any of the specific qualities or skills that under the Nominating Committee's policies must be possessed by one or more members of the Board of Directors;
- Consider the contribution that the candidate can be expected to make to the overall functioning of the Board of Directors; and
- Consider the extent to which the membership of the candidate on the Board of

Directors will promote diversity among the directors.

In making its selection, the Nominating Committee will evaluate candidates proposed by shareholders under criteria similar to the evaluation of other candidates, except that the Nominating Committee may consider, as one of the factors in its evaluation of shareholder recommended nominees, the size and duration of the interest of the recommending shareholder or shareholder group in the equity of the Bank. The Nominating Committee may also consider the extent to which the recommending shareholder intends to continue holding its interest in the Bank, including, in the case of nominees recommended for election at an annual meeting of shareholders, whether the recommending shareholder intends to continue holding its interest at least through the time of such annual meeting.

Nominees for director must satisfy the following criteria:

- Possess the highest personal and professional ethics, integrity and values;
- Be committed to representing the long-term interests of the Bank;
- Have a reputation, both personal and professional, consistent with the image and reputation of the Bank;
- Have the ability to exercise sound business judgment;
- Have relevant expertise and business experience, involvement in the community, and the ability to create new business for the Bank; and
- Each nominee must own at least \$500 par value of stock in the Bank.

The Nominating Committee will accept for consideration submissions from shareholders of recommendations for the nomination of directors. Acceptance of a recommendation for consideration does not imply that the Nominating Committee will nominate the recommended candidate.

Shareholders who wish to make a nominating recommendation must comply with the procedures outlined in the Nominating Committee Charter. These procedures require that a shareholder submit certain information about the nominee and the nominating shareholder in the recommendation. The required information is set forth in the Nominating Committee Charter attached to this Proxy Statement as Appendix C. No changes have been made to the policy relating to the procedure by which shareholders may recommend nominees.

All shareholder nominating recommendations must be in writing, addressed to the Nominating Committee in care of the Secretary of the Board of Directors at the Bank's address, P. O. Box 35, Shepherdstown, West Virginia 25443. All shareholder nominating recommendations must be received no later than December 31st of the year preceding the election in which the proposed nomination relates.

### **Independence of Directors and Nominees**

The Board of Directors annually reviews the relationships of each member of the Board with the Bank to determine whether each director is independent. This determination is based on both subjective and objective criteria developed by the NASDAQ listing standards and the SEC rules.

The Board of Directors met on February 11, 2009 to determine the independence of the current members of the Board of Directors and the nominees for election as directors of the Bank. At the meeting, the Board of Directors reviewed the directors' responses to a questionnaire asking about their relationships with the Bank (and those of their immediate family members) and other potential conflicts of interest, as well as information provided by management related to transactions, relationships, or arrangements between the Bank and the directors or parties related to the directors.

Based on the subjective and objective criteria developed by the NASDAQ listing standards and the SEC rules, the Board of Directors determined that the following current

members of the Board of Directors and nominees for the Board of Directors are independent: Albert F. Kave, Eric J. Lewis, Monica W. Lingenfelter, Suellen D. Myers, Frederick K. Parsons, and John W. Snyder.

Messrs. James M. Davis and William E. Knode, Jr. are not independent under the NASDAQ listing standards because each of these directors receives a salary for services performed for the Bank. Mr. K. Stephen Morris is not independent because he is an executive officer of the Bank.

The NASDAQ listing standards contain additional requirements for members of the Compensation and Benefits Committee, the Audit Committee and the Nominating Committee. All of the directors serving on each of these committees are independent under the additional requirements applicable to such committees except James M. Davis, who serves as the Chair of the Compensation and Benefits Committee.

The Board also considered the following relationships in evaluating the independence of the Bank's independent directors and determined that none of the relationships constitute a material relationship with the Bank and each of the transactions satisfied the standards for independence:

- The Bank provided lending and/or other financial services to the following independent directors: Albert F. Kave, Eric J. Lewis, Monica W. Lingenfelter, Suellen D. Myers, Frederick K. Parsons, and John W. Snyder, their immediate family members, and/or their affiliated organizations during 2008 in the ordinary course of business and on substantially the same terms as those available to unrelated parties.

- Monica W. Lingenfelter is the Executive Vice President of a foundation which has a certificate of deposit and other deposit accounts with the Bank. In addition, the Bank donated money to the foundation in 2008.

- Albert F. Kave received fees from the Bank for appraisal services during 2008.

- The Bank paid fees for auto service and repair work to entities affiliated with Frederick K. Parsons during 2008.
- An entity affiliated with John W. Snyder received fees from the Bank for printing and advertising during 2008.

### **Related Transactions**

Directors and executive officers of the Bank, members of their immediate families, and business organizations and individuals associated with them have been customers of, and have had normal banking transactions with Jefferson Security Bank. All such transactions were made in the ordinary course of business, were made on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features including the restructuring of an extension of credit, or a delinquency as to payment of interest or principal.

The Bank in 2008 did not make any loans to directors, executive officers, or shareholders owning 10% or more of the stock of the Bank, or members of their immediate families, business organizations, or individuals associated with them, in excess of 10% of the equity accounts of the Bank or \$5 million, (whichever is less). Nor has the Bank made loans to this group in excess of 20% of the equity capital accounts of the Bank. Loans made to directors and executive officers are in compliance with federal banking regulations and are thereby exempt from insider loan prohibitions included in the Sarbanes-Oxley Act of 2002.

### **Shareholder Communications with Directors**

The Board of Directors of the Bank provides a process for shareholders to send communications to the Board of Directors or to any individual director. Shareholders may send written communications to the Board of Directors or to any individual director by mailing or hand-delivering the communications to the Chief Financial Officer, Jefferson Security

Bank, 105 E. Washington Street, P. O. Box 35, Shepherdstown, West Virginia 25443. All communications will be compiled by the Chief Financial Officer of the Bank and submitted to the Board of Directors or to the individual director on a periodic basis.

### **Board Member Attendance at Annual Meeting**

It is the Bank's policy that nominees to the Board of Directors, including those nominees who are currently on the Board of Directors and are up for re-election, attend the Annual Meeting. All nine of the individuals who were included in the Proxy Statement as nominees for the Board of Directors standing for election at the 2008 Annual Meeting of Shareholders attended the Annual Meeting of Shareholders in 2008.

### **Corporate Governance**

We believe that good corporate governance is important to ensure that Jefferson Security Bank is managed for the long-term benefit of its shareholders. Since the adoption of the Sarbanes-Oxley Act of 2002, we have been continually reviewing our corporate governance policies and practices to determine whether these policies meet or exceed industry standards and comply with the Sarbanes-Oxley Act of 2002.

Based on our review, we:

- Adopted a Code of Ethics that applies to the Bank's Chief Executive Officer, Chief Financial Officer, and the Controller. A copy of the Code of Ethics for Senior Financial Officers is attached to this Proxy Statement as Appendix D. You also can obtain copies of the Code of Ethics for Senior Financial Officers by contacting Jefferson Security Bank, Attention: Chief Financial Officer, 105 E. Washington Street, P. O. Box 35, Shepherdstown, West Virginia 25443, or by calling (304) 876-9000;
- Established a standing Audit Committee and adopted a charter. A copy of the Audit Committee Charter is attached to this Proxy Statement as Appendix A;

- Established a standing Compensation and Benefits Committee and adopted a charter. A copy of the Compensation and Benefits Committee Charter is attached to this Proxy Statement as Appendix B;

- Established a standing Nominating Committee and adopted a charter for the Nominating Committee. A copy of the Nominating Committee Charter is attached to this Proxy Statement as Appendix C;

- Established a standing Sarbanes-Oxley Steering Committee. The committee members are Chairman Eric J. Lewis, Audit Committee Chair; K. Stephen Morris, President and CEO; Dennis L. Barron, EVP and COO; M.

Wayne Goodrich, EVP of Lending; Cynthia A. Kitner, EVP and CFO; and Ida Mary B. Hull, VP and Controller. The Committee meets as needed to discuss the status of the Bank's implementation of requirements under section 404 of the Sarbanes-Oxley Act of 2002;

- Adopted a formal procedure for shareholders to communicate with the Board of Directors; and

- Adopted a policy regarding attendance at the Annual Meeting by nominees to the Board of Directors.

---

## ITEM 1 -- ELECTION OF DIRECTORS

---

The Board of Directors currently consists of one class of nine directors. Nine directors will be elected at our 2009 Annual Meeting to serve for a one-year term expiring at our Annual Meeting in the year 2010.

The persons named in the enclosed proxy intend to vote the proxy for the election of each of the nine nominees, unless you indicate on the proxy card that your vote should be withheld from any or all of such nominees. Each nominee elected as a director will continue in office until his or her successor has been elected, or until his or her death, resignation or retirement.

The Board of Directors has proposed the following nominees for election as directors, with terms expiring at the Annual Meeting in 2010: James M. Davis, Albert F. Kave, William E. Knode, Jr., Eric J. Lewis, Monica W. Lingenfelter, K. Stephen Morris, Suellen D. Myers, Frederick K. Parsons, and John W. Snyder.

**The Board of Directors recommends a vote FOR the election of these nominees for election as directors.**

We expect each nominee for election as a director to be able to serve if elected. If any nominee is not able to serve, proxies will be

voted in favor of the remainder of those nominated and may be voted for substitute nominees, unless the Board chooses to reduce the number of directors serving on the Board. The principal occupation and certain other information about the nominees are set forth on the following pages.

### **Security Ownership of Directors and Executive Officers**

As of February 28, 2009, the nominees, and other directors of the Bank owned beneficially, directly or indirectly, the number of shares of common stock indicated on the following pages. The number of shares shown as beneficially owned by each director and executive officer is determined under the rules of the Securities and Exchange Commission and the information is not necessarily indicative of beneficial ownership for any other purposes.

All directors and the executive officers as a group beneficially owned 69,951 shares or 23.82% of the Bank's common stock as of February 28, 2009. Each director is required to own stock of the Bank, having a total par value of at least \$500.

Name and Age as of the April 29, 2009 Meeting Date	Position, Principal Occupation Business Experience and Directorships	Amount of Beneficial Ownership of Shares of Common Stock as of February 28, 2009	
<b>DIRECTORS WHOSE TERMS EXPIRE IN 2009 AND NOMINEES FOR DIRECTOR</b>			
		Shares	%
James M. Davis.....71	Director since April, 2003. Secretary of the Board of Directors. Chairman of the Compensation and Benefits Committee. Vice President of Shepherd University Foundation, Inc. Retired.	4,464 <sup>(1)</sup>	1.52%
Monica W. Lingenfelter....56	Director since April, 2003. Executive Vice President of the Shepherd University Foundation, Inc.	200 <sup>(2)</sup>	*
Albert F. Kave.....94	Director since 1958. Vice Chairman of Board of Directors. Retired.	2,500	*
William E. Knode, Jr.....72	Director since 1962. Chairman of the Board of Directors since April, 2003 and from 1991 to 2002. President of the Bank from 1981 through 2002. Secretary of the Board of Directors from 1966 to 1980. Owner W. H. Knode's Sons.	36,000 <sup>(3)</sup>	12.26%
Eric J. Lewis, CPA.....36	Director since April, 2004. Chairman of the Audit Committee since April 2004. Partner with Ours, Lawyer, Lewis & Company, PLLC. Managing Member, The Ranger Group, LLC from 2005 to present. Executive Director of Walker Ventures from 2002 to 2005. Chief Financial Officer of Butterfly.net, Inc. from 2000 to 2002. Chief Financial Officer of Ultrarise Corp., from 1997 to 2000.	200	*
K. Stephen Morris.....59	Director since September, 2003. President and Chief Executive Officer. Regional President of United Bank, Inc. from 1998 to 2003.	6,025 <sup>(4)</sup>	2.05%
Suellen D. Myers .....61	Director since April, 2004. Owner and Operator of Willow Spring Farm since 1994.	8,420 <sup>(5)</sup>	2.87%
Frederick K. Parsons.....41	Director since April, 2003. President of the Parsons Automotive Group and Parsons Enterprises.	3,537	1.20%
John W. Snyder.....50	Director since April, 2003. Chairman of the Audit Committee from April, 2003 to April, 2004. President of HBP, Inc. Member of the Board of Directors of HBP, Inc. and Oak Printing Inc.	2,941	1.00%

- (1) 777 shares are owned by James M. Davis. Five shares are owned by his wife, Mary Jane Davis. Mr. Davis, as the Vice President of the Shepherd University Foundation, Inc., has been granted the authority to vote or to designate a third person to vote the 3,682 shares owned by the Shepherd University Foundation, Inc.
- (2) 130 shares are owned by Monica W. Lingenfelter and her husband, William A. S. Lingenfelter. The remaining 70 shares are owned solely by Monica W. Lingenfelter. Ms. Lingenfelter disclaims control over the 3,682 shares owned by Shepherd University Foundation, Inc. of which she is Executive Vice President.
- (3) 24,000 shares are owned by William E. Knode, Jr. 12,000 are owned by his wife, Jo Ann J. Knode.
- (4) 6,000 shares are owned by K. Stephen Morris. 2,273 of Mr. Morris' shares are pledged as collateral. 25 shares are owned by his wife, Kathy L. Morris.
- (5) 450 shares are owned by Suellen Myers. 125 shares are held by Suellen Myers as Custodian for Bradford W. Myers, II; 125 shares are held by Suellen Myers as custodian for Sarah Meriwether Myers; 4,570 shares are held by Suellen Myers as Executrix of the Estate of Bradford W. Myers for shares listed as Bradford W. Myers; 1,575 shares are held by Suellen Myers as Executrix of the Estate of Bradford W. Myers for shares listed as Bradford W. Myers Custodian for Bradford W. Myers, II; 1,575 shares are held by Suellen Myers as Executrix of the Estate of Bradford W. Myers for shares listed as Bradford W. Myers Custodian for Sarah Meriwether Myers.

\* Indicates director owns less than 1% of the Bank's Common Stock.

---

**COMMON STOCK OWNERSHIP OF EXECUTIVE OFFICERS  
AND PRINCIPAL SHAREHOLDERS**

---

**Beneficial Ownership of Executive Officers**

The following table sets forth certain information regarding the executive officers' beneficial ownership of common stock of Jefferson Security Bank as of February 28, 2009.

<b>Title of Class</b>	<b>Name</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>% of Class</b>
Common Stock	K. Stephen Morris	6,025 <sup>(1)</sup>	2.05%
Common Stock	Dennis L. Barron	5,035 <sup>(2)</sup>	1.71%
Common Stock	M. Wayne Goodrich	429 <sup>(3)</sup>	*
Common Stock	Cynthia A. Kitner, CPA	200	*

\* Indicates executive officer owns less than 1% of the Bank's common stock.

- (1) 6,000 shares are owned by K. Stephen Morris. 2,273 of Mr. Morris' shares are pledged as collateral. 25 shares are owned by his wife, Kathy L. Morris.
- (2) 4,724 shares are owned by Dennis L. Barron. Mr. Barron, as the Treasurer of the Shepherdstown Fire Department has been granted the authority to vote or to designate a third person to vote the 311 shares owned by the Shepherdstown Fire Department.
- (3) 409 shares are owned by M. Wayne Goodrich. Mr. Goodrich, as the Treasurer of the Elmwood Cemetery Association, Inc., has been granted the authority to vote or to designate a third person to vote the 20 shares owned by the Elmwood Cemetery Association, Inc.

**Beneficial Ownership of Principal Shareholders**

The following table lists each shareholder of Jefferson Security Bank who is the beneficial owner of more than 5% of Jefferson Security Bank's common stock as of February 28, 2009.

<b>Title of Class</b>	<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>% of Class</b>
Common Stock	James G. Knode P. O. Box 5 Shepherdstown, WV 25443	18,263	6.22%
Common Stock	William E. Knode, Jr. Jo Ann J. Knode P. O. Box 10 Shepherdstown, WV 25443	36,000 <sup>(1)</sup>	12.26%
Common Stock	CEDE & Company Attention: Ken Wilkenson P. O. Box 20, Bowling Green Station New York, New York 10004	31,122 <sup>(2)</sup>	10.60%

- (1) 24,000 shares are owned by William E. Knode, Jr. 12,000 shares are owned by his wife, Jo Ann J. Knode.
- (2) CEDE & Company is the nominee name for Depository Trust Company ("DTC"). A nominee is a person or company in whose name the shares are held, but who holds them on behalf of the actual shareholder.

---

## ITEM 2 -- APPROVAL OF AMENDMENTS TO THE BANK'S BY-LAWS

---

On March 18, 2009, the Board of Directors adopted, subject to shareholder approval at the 2009 Annual Meeting of Shareholders, the following amendments to the By-Laws of the Bank (the "By-Laws"):

- Amendments to Section 2 of Article 2 of the By-Laws to revise the provisions relating to special meetings called by shareholders;
- The addition of new Articles 8, 9 and 10 relating to advance notice provisions requiring shareholders to give notice to the Bank of director nominees or other business that those shareholders propose to be brought before a meeting of shareholders.

The amendments to the By-Laws will become effective as of the date that they receive the required vote for approval by the Bank's shareholders.

A summary of the proposed amendments to the By-Laws is set forth below. This summary is qualified in its entirety by the full text of Articles 2, 8, 9 and 10 as proposed to be amended, which is attached to this Proxy Statement as Appendix E. Appendix E is marked to show the recommended changes to the By-Laws. We encourage you to read the proposed amendments to the By-Laws in Appendix E in their entirety.

### **Summary of the Proposed Amendments to the By-Laws**

#### **Procedural Requirements for a Shareholder Requesting a Special Meeting**

The proposed amendments to Section 2 of Article 2 of the By-Laws outline the procedures for shareholder requests for a special meeting; the timing for delivery of the meeting notice by the Bank; and the timing for convening of the meeting. In addition, the proposed amendments set forth the information required to be provided to the Bank when

submitting the request. This required information is the same information that a shareholder would be required to submit with a proposal of business to be conducted at an annual meeting or at a special meeting that has already been scheduled by the Board of Directors. The proposed amendments also clarify that while a shareholder may request that a special meeting be held to elect one or more directors, any shareholder nominations of individuals to be elected at a meeting of shareholders must be made under proposed new Article 8 of the By-Laws.

The West Virginia Code requires that the Bank and not its shareholders provide the notice of meeting of shareholders. The revisions to Section 2 of Article 2 not only provide a deadline in which the Bank must provide the notice of a special meeting to the shareholders when a special meeting is requested by a shareholder in accordance with Section 2 of Article 2 but it also establishes the time period in which the Bank must convene the meeting.

The Board believes that all of the terms of these amendments reflect modern, accepted notice requirements consistent with sound governance. See Article 2, Section 2 of the proposed amended By-Laws attached as Appendix E.

#### **Procedural Requirements for Advance Notice of Shareholder Proposals and Nominations for Directors**

The proposed By-Law amendments will require shareholders who wish to nominate a person for election to the Board of Directors or to bring other business before a meeting of shareholders (whether as a proposal in the Bank's proxy statement or otherwise) to comply with certain procedures including the timing and content of the advance notice provisions.

*Advance Notice of Director Nominations.* Under proposed new Article 8 of the By-Laws, shareholders of the Bank may

nominate persons for election to the Board of Directors of the Bank at the annual meeting of shareholders or at a special meeting of shareholders that has been called for the purpose of electing one or more directors to the Board. To properly nominate a person for election as a director of the Bank, the shareholder making the nomination must timely submit a written notice making the nomination to the Secretary of the Bank. This advance notice for a director nomination at an annual meeting must be received by the Secretary of the Bank not later than December 31st of the year preceding the annual meeting of shareholders.

If the shareholder nomination is for an election to be held at a special meeting, the advance notice of the nomination must be received by the Secretary of the Bank (i) not earlier than 90 calendar days prior to the special meeting and (ii) on or before the later of (a) the 60th calendar day prior to the special meeting or (b) the 10th business day following the date on which notice of the special meeting was first given.

The advance notice of a nomination must contain, for each nominee:

- the name, age, address (business and residence), and principal occupation or employment (at the time of the notice and for the preceding five (5) years) of such person;
- the number of shares of the corporation such person beneficially owns (as such term is defined by Section 13(d) of the Securities Exchange Act of 1934 (the “Exchange Act”)) and any other ownership interest in the shares of the Bank, whether economic or otherwise; and
- any other information relating to such person that would be required to be disclosed in a definitive proxy statement to shareholders prepared in connection with an election of directors pursuant to Section 14(a) of the Exchange Act.

The advance notice must also contain the following information relating to the shareholder giving the notice:

- the name and address of the shareholder proposing such nomination;
- the class and number of shares of the Bank which are beneficially owned by the shareholder and any other ownership interest in the shares of the Bank, whether economic or otherwise;
- any relationship between the shareholder and the proposed nominee;
- a representation that the person sending the notice is a shareholder of record on the record date and shall remain such through the meeting date; and
- a representation that such shareholder intends to appear in person or by proxy at such meeting to move the nomination set forth in the notice.

In addition, the Bank may require the proposed nominee to furnish additional information as may be reasonably required to determine the qualifications of the nominee to serve as a director of the Bank.

The Secretary of the Bank is required to determine whether a shareholder’s notice of a proposed nomination of a director has been given in accordance with the requirements of proposed new Article 8.

**Shareholders should note that they also may submit the names of individuals they would like to be considered for nomination to the Nominating Committee of the Bank’s Board of Directors, rather than nominating those individuals directly. The procedure for shareholders to submit names to the Nominating Committee, which is set forth in the Nominating Committee Charter attached as Appendix C and is discussed at pages 5 through 7 of this Proxy Statement, would not change as a result of the proposed amendments to the By-Laws.**

*Advance Notice of Business (Other than Director Nominations) at Annual Meetings.* Under proposed new Article 8 of the By-Laws, business (other than director nominations) must be timely submitted by a notice in writing to the

Secretary of the Bank in order to be properly brought before an annual meeting by a shareholder. This advance notice must be received by the Secretary of the Bank not later than December 31st of the year preceding the annual meeting of shareholders.

The advance notice must contain the following information:

- with respect to each matter which the shareholder wishes to be considered at the meeting, a brief description of such business and the reasons for conducting such business at the meeting;
- the name and address of the shareholder proposing the business;
- the class and number of shares of stock owned beneficially by the proposing shareholder and any other ownership interest of such shareholder in the shares of the Bank;
- any material interest of the proposing shareholder in the proposed business;
- a representation that the person sending the notice is a shareholder of record on the record date and will remain a shareholder through the meeting date; and
- a representation that the proposing shareholder will be present at the meeting in person or by proxy to propose the business.

The Secretary of the Bank is required to determine whether a shareholder's notice of business to be conducted at a meeting has been given in accordance with the requirements of proposed new Article 9. In addition, the Chair of the meeting must determine and declare at the meeting whether each item of business was properly brought before the meeting in accordance with these advance notice provisions. If the Chair determines that the business was not properly brought before the meeting, the business cannot be conducted.

*Compliance with Requirements of the Exchange Act regarding Shareholder Proposals.* The proposed new Article 10 clarifies that shareholders must still comply with all

applicable requirements of the Exchange Act and accompanying regulations in connection with the making of director nominations and shareholder proposals.

In addition to the time frames set out above for providing advance notice, for any matters proposed to be presented by a shareholder in the Bank's proxy statement pursuant to and in compliance with Rule 14a-8 under the Exchange Act, notice will be considered timely if it has been delivered within the time period specified in Rule 14a-8(e) under the Exchange Act; however, the shareholder proposing the matter must still provide the information in the notice as discussed above. Rule 14a-8 of the Exchange Act provides that when calculating the deadline for a regularly scheduled annual meeting, the proposal must be received at the Bank's principal executive office not less than 120 calendar days before the date that the Bank's proxy statement was released to shareholders in connection with the previous year's annual meeting. If the Bank did not hold an annual meeting the previous year or if the date of the current year's annual meeting changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the Bank begins to print and send its proxy materials.

The purposes of the advance notice provisions are to facilitate an orderly meeting and to ensure that shareholders receive relevant information about matters to be voted on at a meeting prior to that meeting. The Board believes that all of the terms of these amendments reflect modern, accepted notice requirements consistent with sound governance. See Articles 8, 9 and 10 of the proposed amended By-Laws attached as Appendix E.

### **Potential Anti-Takeover Effects of Amendments to the By-Laws**

As a result of the specific timing and content requirements of the advance notice provisions set forth in the proposed amendments to the By-Laws, the proposed amendments may have the effect of making it more difficult for shareholders to make nominations for the election of directors or to submit other proposals for consideration at shareholder meetings. The

advance notice provisions may discourage a shareholder from conducting a solicitation of proxies to elect the shareholder's own slate of directors or otherwise attempting to obtain control of the Bank. Therefore, the proposed amendments containing these advance notice provisions could be deemed to have an anti-takeover effect because they may impede or discourage efforts by potential bidders to obtain control of the Bank or make difficult the removal of management. The proposed amendments could prevent the Bank's shareholders from selling their shares at higher than market prices by deterring unfriendly mergers, tender offers or other efforts to obtain control of the Bank.

The advance notice provisions contained within the proposed amendments to the By-Laws do not give the Board of Directors or management the power to approve or disapprove shareholder nominations for the election of directors or any other proposals submitted by shareholders that are made in accordance with the procedural requirements. The advance notice provisions contained in the proposed amendments would not affect the timing requirements under the Exchange Act for submitting shareholder proposals for inclusion in the proxy statement for the annual meeting of shareholders, nor would they apply to questions that a shareholder may wish to ask at the annual meeting.

While some shareholders may find the potential anti-takeover effect of the proposed amendments to be disadvantageous, the Board of

Directors of the Bank believes that the advance notice provisions will significantly benefit the Bank by promoting continuity and stability in the Bank's management, policies and procedures.

Although the advance notice provisions contained within the proposed amendments to the By-Laws may also have anti-takeover effects, these provisions are not being proposed in response to any known effort or threat to acquire control of the Bank. The proposed amendments are not part of a plan by the Board of Directors or management to adopt a series of amendments to the Bank's Certificate of Incorporation or By-Laws having an anti-takeover effect, and the Board and management do not currently intend to propose other anti-takeover measures in future proxy solicitations.

#### **Vote Required for Approval**

Approval of the amendments to the Bank's By-Laws requires the affirmative vote of a majority of votes cast on this proposal. Any shares not voted (whether by abstention, broker non-vote or otherwise) will have the same effect as a vote against the proposal. Unless instructed to the contrary, shares represented by the proxies will be voted to approve the amendments to the By-Laws of the Bank.

**The Board of Directors unanimously recommends that shareholders vote FOR the approval of the amendments to the Bank's By-Laws.**

---

### ITEM 3 -- APPROVAL OF AUDITORS

---

The Board of Directors has appointed Yount, Hyde & Barbour, P. C. to serve as our independent auditors for 2009, subject to the approval of our shareholders. For information concerning the audit fees paid by the Bank in 2008 and for information about the Bank's auditors generally, see the "Audit Committee Report" on page 19 of this Proxy Statement.

Representatives of Yount, Hyde & Barbour, P. C. will be present at the Annual Meeting to answer questions. They will also have the opportunity to make a statement if they desire to do so.

Shareholder approval of the appointment of Yount, Hyde & Barbour, P.C. as our auditors is not required by our By-Laws or otherwise. However, the Board of Directors is submitting the appointment of Yount, Hyde & Barbour, P.C. to the shareholders for approval as a matter of good corporate practice. If the shareholders fail to approve the selection, the

Audit Committee and the Board of Directors will reconsider whether or not to retain that firm. Even if the selection is approved, the Audit Committee and the Board of Directors in their discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Bank and its shareholders.

The affirmative vote of a majority of votes cast on this proposal is required for the approval of this proposal. Abstentions and broker "non-votes" are not counted for purposes of approving this matter.

**The Board of Directors recommends a vote FOR the approval of Yount, Hyde & Barbour, P. C. as our independent auditors for the year 2009.**

---

## AUDIT COMMITTEE REPORT

---

The Audit Committee of the Board of Directors of the Bank is composed of five independent directors. The current members of the Audit Committee are Eric J. Lewis, Chair, Monica W. Lingenfelter, Suellen D. Myers, Frederick K. Parsons, and John W. Snyder.

The Audit Committee has reviewed the audited financial statements of the Bank for the fiscal year ended December 31, 2008, and discussed them with management and the Bank's independent auditors, Yount, Hyde & Barbour, P. C. The Audit Committee also has discussed with the independent auditors the matters required to be discussed by the Public Company Accounting Oversight Board Auditing Standards AU Section 380.

The Audit Committee has received from the independent auditors the written disclosures and letter required by the Independence Standards Board Standard No. 1, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and the Audit Committee has discussed with the auditors their independence from the Bank and management.

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

### **Fees Paid to Independent Auditor**

The following table presents fees for professional services rendered by Yount, Hyde & Barbour, P.C. to perform an audit of the Bank's annual financial statements for the years ending December 31, 2008 and December 31, 2007, and fees for other services rendered by Yount, Hyde & Barbour, P.C. during those periods:

### **Fees Paid to Yount, Hyde & Barbour, P.C.**

	<u>2008</u>	<u>2007</u>
Audit Fees <sup>(1)</sup>	\$ 57,400	\$ 51,400
Audit-Related Fees <sup>(2)</sup>	9,670	14,167
Tax Fees <sup>(3)</sup>	<u>8,500</u>	<u>8,000</u>
	<u>\$ 75,570</u>	<u>\$ 73,567</u>

(1) Audit Fees – These are fees for professional services performed by Yount, Hyde & Barbour, P.C. for the audit of the Bank's financial statements and review of the financial statements included in the Bank's 10-Q, 10-QSB, and 10-KSB filings with the FDIC, and services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees – These are for assurance and related services performed by Yount, Hyde & Barbour, P.C. that are reasonably related to the performance or review of the Bank's financial statements. This includes agreed-upon procedures relating to information technology audit services, consultation concerning financial accounting and reporting standards, implementation of Section 404 of the Sarbanes-Oxley Act of 2002 and other related issues.

(3) Tax Fees – These are fees for professional services performed by Yount, Hyde & Barbour, P.C. with respect to preparation of federal and state tax returns and consultation concerning tax compliance issues.

The Audit Committee approved one hundred percent in 2008 and 2007 of the services provided by Yount, Hyde & Barbour, P.C. that were not related to the audit and review of the Bank's financial statements and not connected with statutory and regulatory filings.

All services rendered by Yount, Hyde & Barbour, P.C. are permissible under applicable laws and regulations. The Audit Committee's pre-approval policies for audit and non-audit services provided to the Bank by Yount, Hyde & Barbour, P.C. are as follows:

- The fees for audit and non-audit services are not to exceed the amounts set forth in the retention letter provided by Yount, Hyde & Barbour, P.C. to the Audit Committee and accepted by the Audit Committee; and

- Any additional services provided by Yount, Hyde & Barbour, P.C. and not set forth in the retention letter require pre-approval by the Audit Committee before the services are initiated.

The spending level and work content of these services are actively monitored by the Audit Committee to maintain the appropriate

objectivity and independence in the auditors' core work, which is the audit of the Bank's consolidated financial statements.

The Audit Committee has considered and determined that the provision of these additional services is compatible with maintaining Yount, Hyde & Barbour's independence. For more information concerning the Bank's Audit Committee, see page 3 of this Proxy Statement.

#### **Audit Committee**

Eric J. Lewis, Chair  
Monica W. Lingenfelter  
Suellen D. Myers  
Frederick K. Parsons  
John W. Snyder

---

## EXECUTIVE OFFICERS

---

The Executive Officers of Jefferson Security Bank, as of February 28, 2009, are as follows:

<b>Name</b>	<b>Age</b>	<b>Position and Background</b>
K. Stephen Morris	59	President and Chief Executive Officer and Director of the Bank since September 2003. Regional President of United Bank, Inc. from 1998 to 2003.
Dennis L. Barron	57	Executive Vice President and Chief Operating Officer since 2004, Senior Vice President and Chief Operating Officer from 2000 to 2004, Senior Vice President and Cashier from 1995 to January 2000.
M. Wayne Goodrich	59	Executive Vice President of Lending since 2004, Senior Vice President of Lending from 1995 to 2004.
Cynthia A. Kitner, CPA	33	Executive Vice President and Chief Financial Officer since March 2007. Senior Vice President and Chief Financial Officer from April 2006 to March 2007. Executive Assistant to the President from November 2005 to April 2006. Employed with Yount, Hyde & Barbour, P.C. from 1997 to 2005.

---

## EXECUTIVE COMPENSATION

---

### Cash Compensation

The table below sets forth the cash compensation of the Bank's President and CEO and the three Executive Officers who earned \$100,000 or more in total compensation for the years ended December 31, 2008 and 2007.

<b>Summary Compensation Table</b>					
Name and Principal Position	Year	Salary <sup>(1)</sup>	Bonus	All Other Compensation <sup>(2)</sup>	Total
K. Stephen Morris President and CEO	2008	\$208,600	\$ - -	\$38,341	\$246,941
	2007	\$185,743	\$41,600	\$37,035	\$264,378
Cynthia A. Kitner Executive Vice President and Chief Financial Officer	2008	\$96,151	\$ - -	\$18,238	\$114,389
	2007	\$87,865	\$18,000	\$3,430	\$109,295
M. Wayne Goodrich Executive Vice President of Lending	2008	\$100,311	\$ - -	\$7,515	\$107,826
	2007	\$96,180	\$18,000	\$7,201	\$121,381
Dennis L. Barron Executive Vice President and Chief Operating Officer	2008	\$100,257	\$ - -	\$7,528	\$107,785
	2007	\$96,416	\$18,000	\$7,214	\$121,630

- (1) The material terms of the employment agreements between the Bank and Messrs. Morris, Barron and Goodrich and Ms. Kitner are set forth in the section entitled "Employee Agreements and Employee Benefits" beginning on page 24.
- (2) The amount shown in the "All Other Compensation" column for 2008 includes payments made to the Bank's 401(k) Profit Sharing Plan on behalf of Mr. Morris (\$2,600), Ms. Kitner (\$994), Mr. Goodrich (\$1,246) and Mr. Barron (\$1,256). The 2008 amount also includes fees paid for Mr. Morris (\$11,102), Ms. Kitner (\$15,774), Mr. Goodrich (\$4,753) and Mr. Barron (\$4,753) for medical and dental premiums. Also included for 2008 are life and disability premiums for Mr. Morris (\$2,060), Ms. Kitner (\$1,470), Mr. Goodrich (\$1,516) and Mr. Barron (\$1,519). As a Director of the Bank, Mr. Morris also earned fees of \$12,000 during 2008. Mr. Morris's perquisites for 2008 totaled \$10,579 and included additional medical and dental premiums, additional life insurance premiums, country club dues and benefits, the use of a company vehicle and taxable wages relating to Bank Owned Life Insurance. The Bank valued the perquisites on the basis of the aggregate incremental cost to the Bank. Ms. Kitner, Mr. Goodrich and Mr. Barron did not receive perquisites in excess of \$10,000 during 2008. Please refer to the 2008 Proxy Statement for information relating to the 2007 amounts.

---

## DIRECTOR COMPENSATION

---

The table below sets forth the compensation of the Bank's Board of Directors for 2008. The Board of Directors meets annually at an organizational meeting to review current committee members of the Board of Directors and to appoint new committee members of the Board of Directors.

<b>Director Compensation</b>			
Name <sup>(1)</sup>	Fees Earned or Paid in Cash <sup>(2)</sup>	All Other Compensation	Total
James M. Davis <sup>(3)</sup>	\$22,300	\$ - -	\$22,300
Albert F. Kave	\$13,350	\$ - -	\$13,350
William E. Knode, Jr. <sup>(3)</sup>	\$25,800	\$ - -	\$25,800
Eric J. Lewis	\$15,350	\$ - -	\$15,350
Monica W. Lingenfelter	\$13,450	\$ - -	\$13,450
Suellen D. Myers	\$13,450	\$ - -	\$13,450
Frederick K. Parsons	\$14,350	\$ - -	\$14,350
John W. Snyder	\$13,450	\$ - -	\$13,450

(1) The fees received by K. Stephen Morris for service as a member of the Board of Directors of the Bank are set forth in the Summary Compensation Table under "All Other Compensation."

(2) Directors of the Bank were paid a retainer of \$1,000 per month for 2008. Attendance at meetings is not required to receive the monthly retainer.

During 2008, the following fees were paid in addition to the monthly retainer:

- The Audit Committee Chair, Eric J. Lewis, received \$300 per committee meeting attended and the following members of the Audit Committee received \$200 per meeting attended: Monica W. Lingenfelter, Suellen D. Myers, Frederick K. Parsons, and John W. Snyder;
- The Executive Committee Chair, William E. Knode, Jr., received \$200 per committee meeting attended and the following members of the Executive Committee received \$150 per committee meeting attended: James M. Davis, Albert F. Kave, Eric J. Lewis, and Frederick K. Parsons. K. Stephen Morris, as President and CEO of the Bank, did not receive a fee for Executive Committee meetings attended;
- The Compensation and Benefits Committee Chair, James M. Davis, received \$200 per committee meeting attended and the following members of the Compensation and Benefits Committee received \$150 per committee meeting attended: Monica W. Lingenfelter, Suellen D. Myers, and John W. Snyder; and
- The Sarbanes-Oxley Steering Committee Chair, Eric J. Lewis, received \$200 per committee meeting attended. K. Stephen Morris, as President and CEO of the Bank, did not receive a fee for Sarbanes-Oxley Committee meetings attended.

(3) William E. Knode, Jr. also receives an annual salary as Chairman of the Board of Directors, and James M. Davis receives an annual salary as Secretary of the Board of Directors. Mr. Knode's salary was \$12,000 and Mr. Davis's salary was \$9,000 for 2008.

---

## EMPLOYEE AGREEMENTS AND EMPLOYEE BENEFITS

---

### Employment Agreements

The Bank has entered into agreements with its President and Chief Executive Officer, K. Stephen Morris; Executive Vice President and Chief Financial Officer, Cynthia A. Kitner; Executive Vice President and Chief Operating Officer, Dennis L. Barron; and Executive Vice President of Lending, M. Wayne Goodrich.

#### Agreement with Mr. Morris

On September 17, 2003, the Bank entered into an Employment Agreement with K. Stephen Morris. On December 17, 2008, the Bank and Mr. Morris entered into an Amended and Restated Employment Agreement for the purpose of complying with Section 409A of the Internal Revenue Code of 1986, as amended (the Employment Agreement and the Amended and Restated Employment Agreement are collectively referred to as the "Agreement").

Pursuant to the Agreement, the Bank agreed to employ Mr. Morris as the Bank's President and Chief Executive Officer. Under the Agreement, Mr. Morris agrees to devote his best efforts and full time and attention to the performance of the services customarily incident to his position with the Bank. During the Period of Employment, Mr. Morris is not entitled to accept any other employment or engage directly or indirectly in any other business activity that is or may be competitive with the Bank without the prior written consent of the Board of Directors.

The term of the Agreement commenced on September 17, 2003, and continued through September 17, 2004 (the "Period of Employment"). The Period of Employment is automatically extended for additional one-year periods unless the Bank provides written notice to Mr. Morris within 90 days prior to the expiration of the Period of Employment or any annual extension thereof that his employment will not be extended.

If the Period of Employment or any annual extensions thereof are not extended, and Mr. Morris has not been disabled, died, received

a notice of termination for cause, sent a notice of termination for good reason or had a separation from service, then Mr. Morris is entitled to receive payment equal to one year's salary (at the then current level), in a lump sum unless a Change in Control, as defined in the Agreement, has occurred within two years prior to the separation of service. In addition, if the Period of Employment is not extended, the Bank has agreed to continue to pay the annual premiums for the life insurance policy or policies, medical and health insurance plans and short-term and long-term disability plans. In addition, if the Period of Employment is not extended, then Mr. Morris agrees to not be employed or be engaged in any capacity in the banking industry within a 50 mile radius of Shepherdstown, West Virginia, for the period of time during which the Bank is paying the premiums described above.

During the Period of Employment, the Bank will pay Mr. Morris an annual salary. The Compensation and Benefits Committee (the "Compensation Committee") of the Bank reviews the base salary on an annual basis to consider whether to recommend to the Board to increase Mr. Morris' salary. Mr. Morris is also entitled to receive such bonus payments as the Compensation Committee or the Board of Directors may determine.

Mr. Morris is also entitled to certain fringe benefits, including:

- Participation in employee benefit plans, including any retirement plans, health plan, and disability insurance plans;
- Purchase and payment of the annual premiums of a life insurance policy or policies with total death benefits in the amount of \$600,000;
- An automobile and appropriate gasoline allowance; and
- Payment of Mr. Morris' dues for the Rotary Club of Charles Town or Shepherdstown and the Cress Creek Country Club.

Mr. Morris' employment with the Bank may be terminated upon any of the following events:

- Death;
- Physical or mental incapacity which can be expected to last for a continuous period of not less than twelve (12) months or if, by reason of a medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, Mr. Morris receives income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank or an affiliate;
- Any act or failure to act by Mr. Morris which is in bad faith and to the detriment of the Bank or any affiliated company;
- Refusal or failure to act in accordance with any direction or order of the Board of Directors;
- Exhibiting unfitness for service (other than disability), unsatisfactory performance, misconduct, dishonesty, habitual neglect, or incompetence in the management of the affairs of the Bank or any affiliated company;
- Conviction of Mr. Morris of a felony;
- In the discretion of the Board, breach of any term of the Agreement by Mr. Morris, provided the breach continues for a period of 30 days after Mr. Morris receives written notice of the breach;
- The Board of Governors of the Federal Reserve System, the West Virginia Banking Commission or other appropriate bank regulatory authorities, or the Board of Directors of the Federal Deposit Insurance Corporation orders Mr. Morris removed from office pursuant to authority granted by applicable law;
- The placement of the Bank under control of state or federal regulators; or
- Any formal action of the shareholders of the Bank to terminate the Bank's

existence or otherwise to wind up the Bank's affairs.

If Mr. Morris is terminated due to his physical or mental incapacity, then Mr. Morris will receive a lump-sum payment equal to 100% of his base salary for a period of one year less any disability payments otherwise payable by plans provided by the Bank and actually paid to Mr. Morris. This benefit may be payable in twelve equal monthly installments instead of in lump sum at the direction of Mr. Morris or his duly authorized power of attorney. Mr. Morris will continue to be eligible to receive benefits under the Bank's group disability plan if he otherwise satisfies the requirement for such benefits.

Mr. Morris may terminate the Agreement for good reason, as defined in the Agreement. If the Agreement is terminated by Mr. Morris for good reason, or if the Agreement is terminated by the Bank without cause, then Mr. Morris is entitled to receive his base salary through the date the Agreement is terminated, including the maximum bonus accrued under the bonus plan, if such a plan is put into effect during the term of the Agreement. Mr. Morris is also entitled to severance pay equal to the lesser of (i) 100% of his base salary for a period of one year or (ii) the amount allowable as a federal income tax deduction to the Bank pursuant to 280G of the Internal Revenue Code, payable in a lump sum; provided, however, that a Change in Control has not occurred within two (2) years prior to such termination.

If the Agreement is terminated by the death of Mr. Morris, Mr. Morris' beneficiaries or estate, as appropriate, are entitled to his compensation through the end of the month in which his death occurs, unless otherwise provided in any applicable compensation plan or bonus plan.

If the Agreement is terminated by the Bank for cause, as defined in the Agreement, Mr. Morris is entitled to his compensation to the date of termination, including the maximum bonus under the bonus plan accrued, if such plan is put into effect during the Agreement, notwithstanding any other agreement between

Mr. Morris and the Bank or any affiliated company.

If the Agreement is terminated due to regulatory or shareholder action, Mr. Morris' Period of Employment will terminate, and the Bank's obligations under the Agreement (including any obligation to pay compensation) will cease.

The Agreement also contains a non-solicitation clause that prevents Mr. Morris from diverting any business from the Bank for a period of one year after termination of the Period of Employment.

The Agreement further provides that if the Bank merges, consolidates, sells a majority of its assets or is involved in a Change of Control, then Mr. Morris has the option of (i) continuing his duties pursuant to the terms of the Agreement or (ii) to separate from service within two (2) years of the Change in Control and accept a sum of money equal to three times his full base salary in a lump sum payment. The Bank has also agreed to pay the annual premiums for three (3) years when due, for the medical and health insurance plans Mr. Morris is entitled to pursuant to the Agreement; however, if Mr. Morris is not eligible for such coverage, the Bank will provide comparable alternative.

#### **Agreement with Ms. Kitner**

On December 22, 2005, the Bank entered into an Employment Agreement with Cynthia A. Kitner. On December 17, 2008, the Bank and Ms. Kitner entered into an Amended and Restated Employment Agreement for the purpose of complying with Section 409A of the Internal Revenue Code of 1986, as amended (the Employment Agreement and the Amended and Restated Employment Agreement are collectively referred to as the "Agreement").

On April 1, 2006, Ms. Kitner began serving as the Bank's Chief Financial Officer. Under the Agreement, Ms. Kitner agrees to devote her best efforts and full time and attention to the performance of the services customarily incident to her position with the Bank. During the Period of Employment, Ms. Kitner is not entitled to accept any other

employment or engage directly or indirectly in any other business activity that is or may be competitive with the Bank without the prior written consent of the President and Chief Executive Officer or the Board of Directors.

The term of the Agreement commenced on December 22, 2005, and continued through December 22, 2006 (the "Period of Employment"). The Period of Employment is automatically extended for additional one (1) year periods unless the Bank provides written notice to Ms. Kitner within 90 days prior to the expiration of the Period of Employment or any annual extension thereof that her employment will not be extended.

If the Period of Employment or any annual extension thereof are not extended, and Ms. Kitner has not been disabled, died, received a notice of termination for cause, sent a notice of termination for good reason, or had a separation from service prior to the end of the Period of Employment or any annual extension thereof, the Bank has agreed to pay the annual premiums for the medical and health insurance plans, and short-term and long-term disability plans for a period of one (1) year. In addition, if the Period of Employment or any annual extension thereof is not extended, then Ms. Kitner agrees not to be employed or engaged in any capacity in the banking industry within a fifty (50) mile radius of Shepherdstown, West Virginia, for the period of time during which the Bank is paying the premiums described above.

During the Period of Employment, the Bank will pay Ms. Kitner an annual salary. The Compensation Committee of the Bank reviews the base salary on an annual basis to recommend to the Board whether to increase Ms. Kitner's salary. Ms. Kitner is also entitled to receive such bonus payments as the Compensation Committee or the Board of Directors may determine.

Ms. Kitner is also entitled to certain fringe benefits, including:

- Participation in employee benefit plans, including any retirement plans, health plan, and disability insurance plans; and

- Payment of her reasonable expenses related to maintaining and keeping her current license as a Certified Public Accountant, including expenses in connection with continuing professional education courses.

Ms. Kitner's employment with the Bank may be terminated upon any of the following events:

- Death;
- Physical or mental incapacity which can be expected to last for a continuous period of not less than twelve (12) months or if, by reason of a medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, Ms. Kitner receives income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank or an affiliate;
- Any act or failure to act by Ms. Kitner which is in bad faith and to the detriment of the Bank or any affiliated company;
- Refusal or failure to act in accordance with any direction or order of the President of the Bank or the Board of Directors;
- Exhibiting unfitness for service (other than disability), unsatisfactory performance, misconduct, dishonesty, habitual neglect, or incompetence in the management of the affairs of the Bank or any affiliated company;
- Conviction of Ms. Kitner of a felony;
- In the discretion of the Board, breach of any term of the Agreement by Ms. Kitner, provided the breach continues for a period of 30 days after Ms. Kitner receives written notice of the breach;
- The Board of Governors of the Federal Reserve System, the West Virginia Banking Commission or other appropriate bank regulatory authorities, or the Board of Directors of the Federal Deposit Insurance Corporation orders Ms. Kitner removed from office pursuant to authority granted by applicable law;

- The placement of the Bank under control of state or federal regulators; or
- Any formal action of the shareholders of the Bank to terminate the Bank's existence or otherwise to wind up the Bank's affairs.

If Ms. Kitner is terminated due to her physical or mental incapacity, then Ms. Kitner will receive her base salary up through the last day of the month in which the sixtieth day after the disability occurs. Ms. Kitner will continue to be eligible to receive benefits under the Bank's group disability plan if she otherwise satisfies the requirement for such benefits.

Ms. Kitner may terminate the Agreement for good reason, as defined in the Agreement. If the Agreement is terminated by Ms. Kitner for good reason, or if the Agreement is terminated by the Bank without cause, then Ms. Kitner is entitled to receive her base salary through the date the Agreement is terminated, including the maximum bonus accrued under the bonus plan, if such a plan is put into effect during the term of the Agreement. In addition, if the Agreement is terminated by the Bank without cause and provided that a Change of Control has not occurred within one (1) year prior to such termination, Ms. Kitner is also entitled to receive a lump sum payment thirty (30) days after such termination in an amount equal to the less or (i) her full base salary, or (ii) the amount allowable as a federal income tax deduction to the Bank pursuant to Section 280G of the Internal Revenue Code.

If the Agreement is terminated by the death of Ms. Kitner, Ms. Kitner's beneficiaries or estate, as appropriate, are entitled to her compensation through the end of the month in which her death occurs.

If the Agreement is terminated by the Bank for cause, as defined in the Agreement, Ms. Kitner is entitled to her compensation to the date of termination, including the maximum bonus accrued under the bonus plan, if such plan is put into effect during the Agreement, notwithstanding any other agreement between Ms. Kitner and the Bank or any affiliated company.

If the Agreement is terminated due to regulatory or shareholder action, Ms. Kitner's Period of Employment will terminate, and the Bank's obligations under the Agreement (including any obligation to pay compensation) will cease.

The Agreement also contains a non-solicitation clause that prevents Ms. Kitner from diverting any business from the Bank for a period of one (1) year after termination of the Period of Employment.

The Agreement further provides that if the Bank merges, consolidates, sells a majority of its assets or is involved in a Change of Control, then Ms. Kitner has the option of continuing her duties pursuant to the terms of the Agreement or to separate from service within one (1) year after a change in control and accept a sum of money equal to two (2) times her full base salary in a lump sum payment.

#### **Agreements with Mr. Barron and Mr. Goodrich**

On March 8, 2007, the Bank entered into Employment Agreements with two of its executive officers, Dennis L. Barron and M. Wayne Goodrich. On December 17, 2008, the Bank entered into Amended and Restated Employment Agreements with Mr. Barron and Mr. Goodrich for the purpose of complying with Section 409A of the Internal Revenue Code of 1986, as amended (the Employment Agreements and the Amended and Restated Employment Agreements are collectively referred to as the "Employment Agreements").

The term of their Employment Agreements is for a period of one year from the effective date of the Employment Agreement. The Employment Agreements are automatically renewed for additional periods of one year each (without any action by either party) unless the Bank provides Mr. Barron or Mr. Goodrich with written notice 90 days prior to the expiration of the initial term or any annual extension thereof that his employment will not be extended.

If their term of employment or any annual extension thereof is not extended, and Mr. Barron and Mr. Goodrich have not been

disabled, died, received a notice of termination for cause, sent a notice of termination for good reason, or had a separation from service prior to the end of the term of employment or any annual extension thereof, the Bank has agreed to pay a portion of the annual premiums for the medical and health insurance plans, and short-term and long-term disability plans.

Under the Employment Agreements, Mr. Barron and Mr. Goodrich agree to devote their best efforts and full time and attention to the performance of the services customarily incident to each of their positions with the Bank. During the Period of Employment, Mr. Barron and Mr. Goodrich are not entitled to accept any other employment or engage directly or indirectly in any other business activity that is or may be competitive with the Bank without the prior written consent of the President and Chief Executive Officer or the Board of Directors.

Under the Employment Agreements, Mr. Barron and Mr. Goodrich are each entitled to an annual base salary. The Compensation and Benefits Committee of the Board of Directors of the Bank (the "Compensation Committee") will annually review each executive's base salary to determine whether to recommend to the Board of Directors of the Bank to increase such base salary. In addition to base salary, Mr. Barron and Mr. Goodrich are entitled to be considered for bonus payments as the Compensation Committee or the Board may determine and are entitled to reimbursement for reasonable expenses incurred in performing services under the Employment Agreements.

Mr. Barron and Mr. Goodrich may also participate in and receive benefits under any employee benefit plan or arrangement made available by the Bank to senior executives of the Bank and key management employees and the Bank has agreed not to make any changes to such plans or arrangements in effect on the date of the Employment Agreements in which each executive participates unless such change occurs pursuant to a program generally applicable to all senior executives of the Bank and does not result in a proportionately greater reduction in rights of or benefits to Mr. Barron or Mr. Goodrich as compared with other senior executives.

The Employment Agreement may be terminated based on one of the following:

- Upon the death of Mr. Barron or Mr. Goodrich;
- Upon the physical or mental incapacity of Mr. Barron or Mr. Goodrich which can be expected to last for a continuous period of not less than twelve (12) months or if, by reason of a medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve (12) months, Mr. Barron or Mr. Goodrich receives income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Bank or an affiliate;
- By the Bank for Cause (as defined in the Employment Agreement);
- By the executive, for Good Reason (as defined in the Employment Agreement);
- By the Bank without cause; or
- Upon regulatory or shareholder action.

Under the Employment Agreements, Mr. Barron and Mr. Goodrich are entitled to certain severance payments. If the executives are terminated by the Bank without cause, then in addition to their compensation, they are entitled to severance pay thirty days after such termination, in an amount equal to the lesser of (i) their full base salary or (ii) the amount allowable as a federal income tax deduction to the Bank pursuant to 280G of the Internal Revenue Code in a lump sum payment. If the Bank terminates the Employment Agreement without cause within the one year period after a Change of Control, as defined in the Employment Agreements, the executives are not entitled to a severance payment.

If the executives are terminated by death, their beneficiaries or estate, as appropriate, are entitled to their compensation through the end of the month in which the death

occurs, unless otherwise provided in any applicable compensation plan or bonus plan.

If the executives are terminated for mental or physical incapacity, they are entitled to their compensation through the last day of the month in which the sixty consecutive days of incapacity occurs, but the executives will continue to be eligible to receive benefits under the Bank's group disability plan if they otherwise satisfy the requirements for such benefits.

If the executives are terminated for cause, as defined in the Agreement, they are entitled their compensation to the date of termination, including the maximum bonus under the bonus plan accrued, if such plan is put into effect during the Agreement, notwithstanding any other agreement between the executives and the Bank or any affiliated company. The executives may terminate the Agreement for good reason, as defined in the Agreement. If the Agreement is terminated for good reason, the executives are entitled to their compensation on a pro rata basis, including the executive's maximum bonus under the bonus plan, if such plan is put into effect to the term of the Agreement.

If the Agreement is terminated due to regulatory or shareholder action, the executives' Period of Employment will terminate, and the Bank's obligations under the Agreement (including any obligation to pay compensation) will cease.

Upon any Change in Control, Mr. Barron and Mr. Goodrich have the option of (i) continuing to perform under the Employment Agreements or (ii) terminating the Employment Agreements and accepting a sum of money equal to two times their full current base salary in a lump sum payment).

Under the Employment Agreements, Mr. Barron and Mr. Goodrich agree not to be employed or engaged in any capacity in the banking industry within a 50 mile radius of Shepherdstown, West Virginia, or for an entity in the banking industry that may have a branch or other banking facility within a 50 mile radius of Shepherdstown, West Virginia, for a period of

time equal to the period during which the executives may receive benefits as provided in the Employment Agreements. In addition, for a period of one year after termination of the Employment Agreements, Mr. Barron and Mr. Goodrich agree not to directly or indirectly divert or attempt to divert from the Bank (or any affiliated company) any business of any kind in which it is engaged, including, without limitation, the solicitation of or interference with any of its suppliers or customers, unless they can prove that any action taken was done without the use of Proprietary Information (as defined in the Employment Agreement). These non-competition and non-solicitation provisions will not apply if Mr. Barron or Mr. Goodrich elects to forgo any of the severance payment options.

### **Employee Benefits**

The Bank has a qualified defined benefit plan which covers substantially all of its full time employees, with benefits based on years of service and compensation prior to retirement. Contributions to the plan are based on information provided annually by the Bank's actuary with consideration given to the maximum amount deductible for income tax purposes.

The normal retirement date under the plan is age 65. The annual pension benefits payable to an employee under the plan if the employee retires on his or her normal retirement date is equal to 2% of the employee's average final compensation multiplied by the employee's years of credited service (up to a maximum of 30 years). An employee's average final compensation is the average of an employee's W-2 earnings plus salary deductions not included in W-2 earnings under Section 125 (cafeteria plans) or 402(e)(3) (401(k) plan contributions) during the five consecutive full calendar years of service with the Bank which produces the highest average.

An employee may retire early at any time after the employee's 60<sup>th</sup> birthday and elect to receive retirement benefits. The retirement benefits are calculated in the same manner as

normal retirement benefits, but such benefits are reduced by a percentage based on the age of retirement. An employee may retire early with unreduced benefits after the employee's 62<sup>nd</sup> birthday if the employee has provided at least thirty years of service.

If an employee terminates his or her service with the Bank before being eligible for retirement, then such employee is entitled to a deferred retirement income to commence upon such employee's normal retirement date equal to such employee's vested accrued benefit. An employee does not become vested in his or her retirement benefits until such employee has completed five years of service with the Bank. Upon completion of five years of service with the Bank, the employee becomes 100% vested in his or her retirement benefits.

In addition, an employee may elect to receive his or her deferred retirement income in the first month after the later of such employee's termination of employment or the employee's 55<sup>th</sup> birthday. In this case, the amount of the deferred retirement income is reduced by a percentage based on the age of the employee at the time the benefits are paid.

The plan also provides for death and disability benefits.

The Bank also has a benefit plan with 401(k) features whereby substantially all employees age 21 or over with at least one year of service and 1,000 hours per year may participate. The plan allows employee contributions, with employer matching contributions, to be allocated based on a percentage of the employee salary deferral.

The Bank also offers its employees medical and dental insurance, with the cost split between the Bank and the employee. Other benefits include short-term/long-term disability insurance and life insurance.

---

## **REQUIREMENTS, INCLUDING DEADLINE, FOR SUBMISSION OF PROXY PROPOSALS, NOMINATION OF DIRECTORS AND OTHER BUSINESS OF SHAREHOLDERS**

---

The Board is not aware of any matters that are expected to come before the Annual Meeting other than those referred to in this Proxy Statement. If any other matter should come before the Annual Meeting, the persons named in the accompanying proxy intend to exercise their discretionary authority in accordance with applicable federal and state laws and regulations to vote the proxies in accordance with their best judgment.

If you wish to submit a shareholder proposal to be included in the proxy materials for our 2010 Annual Meeting, you must submit the proposal in writing to the Secretary of the Bank no later than December 1, 2009.

If you wish to submit a proposal or a matter for consideration at our 2010 Annual Meeting, but you do not meet the deadline for inclusion in the proxy materials, the proposal must be submitted by the holder of record of the shares and received by the Secretary of the Bank by December 31, 2010 (if the amendments to the By-Laws are approved by the shareholders) or February 17, 2010 (if the amendments to the By-Laws are not approved by the shareholders). This deadline applies to any matter that a shareholder wishes to raise at the Annual Meeting other than pursuant to the procedures set forth in Rule 14a-8 of the Exchange Act.

Any shareholder wishing to propose a Director nominee for consideration by the Nominating Committee for election to the Board at the Annual Meeting must provide a written recommendation to the Nominating Committee in accordance with the procedures set forth in

the Nominating Committee Charter attached to this Proxy Statement as Appendix C. The Bank must receive the written recommendation by December 31st of the year preceding the election in which the proposed nomination relates. Acceptance of a recommendation for consideration does not imply that the Nominating Committee will nominate the recommended candidate. For further information, see the Nominating Committee Charter attached as Appendix C to this Proxy Statement.

We strongly encourage any shareholder interested in submitting a proposal to consult knowledgeable counsel with regard to the detailed requirements of applicable securities laws.

### **Stock Transfers**

Shares of the Bank's common stock are occasionally bought and sold by private individuals, firms or corporations. In many instances, the Bank does not have knowledge of the purchase price or the terms of the purchase. No definitive records of bid, ask or sale prices are available.

Howe Barnes Hoefler & Arnett, Inc. is a market maker for Jefferson Security Bank stock. A market maker is a firm that maintains a firm bid and ask price for a given number of shares at a point in time in a given security by standing ready to buy or sell at publicly quoted prices. Contact Dan Poole at Howe Barnes Hoefler & Arnett, Inc., 11111 Carmel Commons, Suite 100, Charlotte, North Carolina 28226, (877) 641-9800 for more information.

---

## ANNUAL REPORT

---

The annual report of the Bank for the year ended December 31, 2008, is being mailed concurrently with this Proxy Statement. The financial statements and the other information to

be delivered with this Proxy Statement constitute the annual disclosure statement as required by 12 C.F.R. 350.

---

## FORM 10-K

---

The Bank will furnish without charge to each person whose proxy is being solicited, upon the request of any such person, a copy of the Bank's Annual Report on Form 10-K for 2008. Requests for copies of such report should

be directed to the Chief Financial Officer, Jefferson Security Bank, 105 E. Washington Street, P. O. Box 35, Shepherdstown, West Virginia 25443.

---

Whether or not you plan to attend the Meeting, please mark, sign, date and promptly return the enclosed proxy in the enclosed envelope. No postage is required for mailing in the United States.

By Order of the Board of Directors,  
April 3, 2009

## APPENDIX A

### JEFFERSON SECURITY BANK AUDIT COMMITTEE CHARTER

#### 1. STATEMENT OF POLICY

A soundly conceived, effective Audit Committee (the “Committee”) is essential to the management, operation, and financial reporting process of Jefferson Security Bank (the “Bank”). The Audit Committee shall provide assistance to the corporate directors in fulfilling their responsibilities to the shareholders relating to corporate accounting, reporting practices, and the quality and integrity of the financial reports of the Bank. In so doing, it is the responsibility of the Audit Committee to maintain free and open means of communication between the directors, the independent auditors, the internal auditors, and financial management personnel of the Bank. In addition, the Audit Committee shall oversee the accounting and financial reporting processes of the Bank and the audits of the financial statements of the Bank.

#### 2. ORGANIZATION

##### Members

There shall be a committee of the Board of Directors known as the Audit Committee. This Committee shall be composed of at least three directors who are independent of the management of the Bank and are free of any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a member. Independent shall be defined using the NASDAQ’s standards as stated below:

A director will not be considered independent if, among other things:

- he /she has been employed by the Bank in the current or past three years;
- he/she or a family member has accepted any compensation from the Bank in excess of \$120,000 during any period of twelve consecutive months within the past three fiscal years (except for board or committee service, retirement plan benefits or nondiscretionary compensation);
- he/she has an immediate family member who is, or has been in the past three years, employed by the Bank as an executive officer;
- he/she or a family member has been a partner, a controlling shareholder or an executive officer of any organization to which the Bank made, or from which the Bank received, payments for property or services that exceed five percent of the organization’s consolidated gross revenues for that year or \$200,000, whichever is more, in the current fiscal year or any of the past three fiscal years (except for payments arising solely from investments in the Bank’s securities and payments under non-discretionary charitable contribution programs);
- he/she or an immediate family member has been employed during the current or within the past three fiscal years as an executive of another entity where any of the Bank’s executives now serve or served on that entity’s compensation committee; or
- he/she or a family member is a current partner of the Bank’s independent audit firm, or worked on the Bank’s audit as a partner or employee of the Bank’s independent audit firm during the current or past three fiscal years.

In addition to the above standards, a member of the Audit Committee must (i) not have participated in the preparation of the Bank's financial statements during the past three years, (ii) be able to read and understand fundamental financial statements, including the Bank's balance sheet, income statement and cash flow statements, and (iii) not have accepted, directly or indirectly, any consulting, advisory, or other compensatory fee from the Bank (does not include receipt of fixed amounts under a retirement plan for prior service with the Bank).

At the Committee's discretion, management of the Bank may attend meetings of the Audit Committee, but this attendance shall be in a non-voting capacity.

Committee membership standards will be maintained in accordance with applicable banking laws and regulations.

### Meetings

The Audit Committee shall meet at its own discretion, with special meetings called as deemed necessary. The Committee reserves the right to meet without members of Bank management, internal audit, or the independent accounting firm.

### Minutes

Minutes shall be prepared for all meetings of the Audit Committee to document the Committee's discharge of its responsibilities. The minutes shall provide an accurate record of the proceedings, shall be reviewed and approved by the Audit Committee, and shall be submitted to the Board of Directors for its review and approval.

## 3. AUTHORITY

The authority for the Audit Committee is derived from the full Board of Directors of Jefferson Security Bank.

The Audit Committee shall be appointed by the Board of Directors to assist in monitoring (1) the integrity of the financial statements of the Bank, (2) the compliance by the Bank with legal and regulatory requirements and (3) the independence and performance of the Bank's internal and external auditors.

The Audit Committee shall have the authority to retain special legal, accounting or other consultants to advise the Committee. The Audit Committee may request any officer or employee of the Bank, or the Bank's outside counsel, or its independent auditor to attend a meeting of the Committee or to meet with any members of or consultants to the Committee.

## 4. RESPONSIBILITIES

In fulfilling the stated role and functions of the Audit Committee, the primary and general responsibilities will be as follows:

- To provide for an internal audit function to serve the Bank in an examining and advisory capacity.
- To provide for the appointment, compensation, retention and oversight of the work of external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Bank.
- To serve as a focal point and reporting outlet for communications among non-committee directors, corporate management, internal auditors, and independent auditors.

- To assist the Board of Directors in fulfilling its fiduciary responsibilities for financial reporting and internal accounting and operations controls.
- To ensure receipt from the independent auditors of a formal written statement delineating all relationships between the independent auditor and the Bank, consistent with Independence Standards Board Standard No. 1.
- To actively engage in dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and to take or recommend that the full Board of Directors take, appropriate action to oversee the independence of the independent auditors.
- To act as an agent for the Board of Directors to help ensure the independence of internal auditors and independent auditors, the integrity of management, and the adequacy of disclosures to shareholders.
- To assess the Bank's processes regarding compliance with applicable laws, regulations and its Code of Ethics for Senior Financial Officers, including those matters that could have a significant impact on the financial statements, compliance with policies, reports from regulators and the provisions of the Code of Ethics for Senior Financial Officers.

Specific duties of the Audit Committee include, but are not limited to, the following items:

- Annually review and reassess the adequacy of this Charter and submit it to the Board of Directors for approval when changes are made.
- Review the annual audited financial statements with management and the independent auditors, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Bank's financial statements.
- Based on the review and discussions noted in No. 2 above, recommend to the Board of Directors that the audited financial statements be included in the Bank's Annual Report on Form 10-K.
- Ensure that the independent auditors review the financial information included in reports on Form 10-Q prior to filing with the FDIC, as required.

**APPENDIX B**  
**JEFFERSON SECURITY BANK**  
**COMPENSATION AND BENEFITS COMMITTEE CHARTER**

**Status**

The Compensation and Benefits Committee (the “Committee”) is a committee of the Board of Directors of Jefferson Security Bank (the “Bank”).

**Membership**

The Compensation and Benefits Committee shall consist of a minimum of three directors. Members of the Committee shall be appointed and may be removed by the Board of Directors. A majority of the members of the Committee shall be independent directors as determined by the Bank’s Board of Directors in accordance with the applicable rules of the Securities and Exchange Commission (“SEC”). The Board of Directors currently uses the NASDAQ Stock Market, Inc. (“NASDAQ”) Marketplace Rules for determining whether a member of the Committee is independent.

**Purpose**

The purposes of the Committee are to (i) review the performance evaluation of the CEO, (ii) discuss the recommendations of the CEO with regard to the compensation and benefit arrangements of the other executive officers and (iii) recommend to the Board of Directors for approval salary adjustments and other matters pertaining to the compensation of the CEO and other executive officers.

**Duties and Responsibilities**

The Committee shall have the following duties and responsibilities:

1. Evaluating the performance of the CEO.
2. Reviewing and discussing the recommendations made by the CEO with regard to the compensation and benefit arrangements of the other executive officers.
3. Recommending the annual salary of the CEO and other executive officers to the Board of Directors for approval based upon the evaluation of the performance of the CEO and the recommendations from the CEO with regard to the other executive officers. The CEO may not be present during deliberations or voting concerning the CEO’s compensation.
4. Review and make recommendations to the Board of Directors for approval of compensation packages for new executive officers and termination packages for executive officers.
5. Monitor the Bank’s compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits.

**Meetings**

The Committee shall meet at least two times each year and at such other times as it deems necessary to fulfill its responsibilities.

## **Authority**

The Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Committee may deem appropriate in its sole discretion.

The Committee shall have the authority to retain outside counsel and any other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

The Committee shall report its actions and recommendations to the Board of Directors at the next scheduled meeting of the Board of Directors held after each Committee meeting. The Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

## **APPENDIX C**

### **JEFFERSON SECURITY BANK NOMINATING COMMITTEE CHARTER**

#### **Mission**

The Nominating Committee (the “Committee”) shall identify and review candidates for the position of Board of Directors of Jefferson Security Bank (the “Bank”).

#### **Membership**

The Nominating Committee shall be composed of all independent members of the Board of Directors.

#### **Authority and Responsibilities**

The Nominating Committee reviews the qualifications of and recommends to the Board of Directors proposed nominees for election to the Board of Directors.

In furtherance of its mission, the Nominating Committee:

- makes recommendations to the full Board of Directors regarding its size and composition and the tenure of directors.
- identifies individuals qualified to become Board members who reflect the criteria specified below and recommends the nominees to stand for election as directors at the next annual meeting of shareholders (or, if applicable, a special meeting of shareholders); and has sole authority to retain any search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms.

#### **Procedure for Identifying and Evaluating Candidates**

The Nominating Committee will observe the following policies and procedures in identifying and evaluating candidates for election to the Bank's Board of Directors:

1. The Bank is of the view that the continuing service of qualified incumbents promotes stability and continuity in the board room, contributing to the Board’s ability to work as a collective body, while giving the Bank the benefit of the familiarity and insight into the Bank’s affairs that its directors have accumulated during their tenure. Accordingly, the process of the Nominating Committee for identifying nominees shall reflect the Bank’s practice of re-nominating incumbent directors who continue to satisfy the Committee’s criteria for membership on the Board of Directors, whom the Committee believes continue to make important contributions to the Board of Directors and who consent to continue their service on the Board of Directors.

2. In considering candidates for election at annual meetings of shareholders, the Committee will first determine the incumbent directors whose terms expire at the upcoming meeting and who wish to continue their service on the Board of Directors.

3. The Committee will evaluate the qualifications and performance of the incumbent directors who desire to continue their service. In particular, as to each such incumbent director, the Committee will:

- consider if the director continues to satisfy the minimum qualifications for director candidates adopted by the Committee;
- assess and review the performance of the director during the preceding term; and
- determine whether there exist any special, countervailing considerations against re-nomination of the director.

4. If the Committee determines that:

- an incumbent director consenting to re-nomination continues to be qualified and has satisfactorily performed his or her duties as director during the preceding term; and
- there exist no reasons, including considerations relating to the composition and functional needs of the Board of Directors as a whole, why in the Committee's view the incumbent should not be re-nominated, then the Committee will, absent special circumstances, propose the incumbent director for re-election.

5. The Committee will identify and evaluate new candidates for election to the Board of Directors where there is no qualified and available incumbent, including for the purpose of filling vacancies arising by reason of the resignation, retirement, removal, death or disability of an incumbent director or a decision of the directors to expand the size of the Board of Directors.

6. The Committee will solicit recommendations for nominees from persons whom the Committee believes are likely to be familiar with qualified candidates. These persons may include members of the Board of Directors, including members of the Committee, and management of the Bank. The Committee may also determine to engage a professional search firm to assist in identifying qualified candidates. Where such a search firm is engaged, the Committee shall set its fees and scope of engagement.

7. As to each recommended candidate that the Committee believes merits consideration, the Committee will:

- cause to be assembled information concerning the background and qualifications of the candidate, including information concerning the candidate required to be disclosed in the Bank's proxy statement under the rules of the Securities and Exchange Commission and any relationship between the candidate and the person or persons recommending the candidate;
- determine if the candidate satisfies the minimum qualifications required by the Committee of candidates for election as director;
- determine if the candidate possesses any of the specific qualities or skills that under the Committee's policies must be possessed by one or more members of the Board of Directors;

- consider the contribution that the candidate can be expected to make to the overall functioning of the Board of Directors; and
- consider the extent to which the membership of the candidate on the Board of Directors will promote diversity among the directors.

8. In its discretion, the Committee may designate one or more of its members (or the entire Committee) to interview any proposed candidate.

9. Based on all available information and relevant considerations, the Committee will select a candidate who, in the view of the Committee, is most suited for membership on the Board of Directors.

10. In making its selection, the Committee will evaluate candidates proposed by shareholders under criteria similar to the evaluation of other candidates, except that the Committee may consider, as one of the factors in its evaluation of shareholder recommended nominees, the size and duration of the interest of the recommending shareholder or shareholder group in the equity of the Bank. The Committee may also consider the extent to which the recommending shareholder intends to continue holding its interest in the Bank, including, in the case of nominees recommended for election at an annual meeting of shareholders, whether the recommending shareholder intends to continue holding its interest at least through the time of such annual meeting.

11. The Committee shall maintain appropriate records regarding its process of identifying and evaluating candidates for election to the Board of Directors.

### **Qualifications of Nominees for Director**

Nominees for Director must satisfy the following criteria:

1. Nominees must possess the highest personal and professional ethics, integrity and values.
2. Nominees must be committed to representing the long-term interests of the Bank.
3. Each nominee must have a reputation, both personal and professional, consistent with the image and reputation of the Bank.
4. Each nominee must have the ability to exercise sound business judgment.
5. Each nominee must have relevant expertise and business experience, involvement in the community, and the ability to create new business for the Bank.
6. Each nominee must own at least \$500 par value of stock in the Bank.

### **Procedure for Shareholders to Submit an Individual for Consideration as a Nominee**

1. *Security Holders Entitled to Make Submissions.* The Nominating Committee will accept for consideration submissions from shareholders of recommendations for the nomination of directors.

Acceptance of a recommendation for consideration does not imply that the Committee will nominate the recommended candidate.

2. *Manner and Address for Submission.* All shareholder nominating recommendations must be in writing, addressed to the Nominating Committee in care of the Secretary of the Board of Directors at the Bank's address, P. O. Box 35, Shepherdstown, West Virginia 25443. Submissions must be made by mail, courier or personal delivery. E-mailed submissions will not be considered.

3. *Deadline for Submission.* All shareholder nominating recommendations must be received no later than December 31st of the year preceding the election in which the proposed nomination relates.

4. *Information Concerning the Recommending Shareholder.* A nominating recommendation must be accompanied by the following information concerning each recommending shareholder:

- The name, address, and telephone number of the recommending shareholder;
- The number of the Bank's shares owned by the recommending shareholder and the time period for which such shares have been held;
- If the recommending shareholder is not a shareholder of record, a statement from the record holder of the shares (usually a broker or bank) verifying the holdings of the shareholder and a statement from the recommending shareholder of the length of time that the shares have been held;
- A statement from the shareholder as to whether the shareholder has a good faith intention to continue to hold the reported shares through the date of the Bank's next annual meeting of shareholders; and
- Whether the notifying shareholder or group of shareholders consent to the disclosure of the name of the notifying shareholder or the names of each member of the group of shareholders in the proxy statement.

5. *Information Concerning the Proposed Nominee.* A nominating recommendation must be accompanied by the following information concerning the proposed nominee:

- name of the proposed nominee;
- age of the proposed nominee;
- address of the proposed nominee; and
- principal occupation or employment of the proposed nominee.

6. *Relationships Between the Proposed Nominee and the Recommending Shareholder.* The nominating recommendation must describe all relationships between the proposed nominee and the recommending shareholder and any agreements or understandings between the recommending shareholder and the nominee regarding the nomination.

7. *Other Relationships of the Proposed Nominee.* The nominating recommendation shall describe all relationships between the proposed nominee and any of the Bank's competitors, customers, suppliers or other persons with special interests regarding the Bank.

8. *Qualifications of the Proposed Nominee.* The recommending shareholder must furnish a statement supporting its view that the proposed nominee possesses the minimum qualifications prescribed by the Nominating Committee for nominees, and briefly describing the contributions that the nominee would be expected to make to the Board of Directors and to the governance of the Bank.

9. *Shareholder Groups.* If a recommendation is submitted by a group of two or more shareholders, the information regarding the recommending shareholder must be submitted with respect to each shareholder in the group.

10. *Disclosure in Proxy Statement.* If the recommending shareholder beneficially owns, in the aggregate, more than five percent of the Bank's voting stock or if the submission is from a group of shareholders and the shareholder group owns, in the aggregate, more than five percent of the Bank's voting stock, then the Bank must disclose the name(s) of the recommending shareholder(s) and the proposed nominee in the proxy statement if the recommending shareholder(s) and the proposed nominee both consent in writing to the disclosure. If the proposed nominee consents to such disclosure, the recommending shareholder(s) must provide such written consent in the submission.

### **Review of Charter**

The Nominating Committee will review, at least annually, the Committee's Charter and recommend any proposed changes to the Board of Directors for approval.

## APPENDIX D

### JEFFERSON SECURITY BANK CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS

As leaders of Jefferson Security Bank (the “Bank”), the Chief Executive Officer, Chief Financial Officer, and the Controller (collectively, the “Senior Financial Officers”) are expected to set an appropriate example of behavior for the Bank. The Senior Financial Officers are expected to conduct business and act in an honest and ethical manner at all times. The Jefferson Security Bank Code of Ethics (the “Employee Code”) is applicable to all employees, including the Senior Financial Officers, of the Bank. The Senior Financial Officers are bound by the provisions set forth in the Employee Code, including honest and ethical conduct and compliance with applicable laws, rules, and regulations. In addition to complying with the Employee Code, the Senior Financial Officers have the following additional responsibilities and ethical obligations:

- **Regulatory and Public Reporting.** Within the scope of his or her duties, provide, or cause to be provided, full, fair, accurate, timely and understandable disclosure in reports and documents that the Bank files with or submits to the Federal Deposit Insurance Corporation (“FDIC”) and in other public communications. Accordingly, each Senior Financial Officer is required to comply with the Bank’s disclosure controls and procedures and internal control over financial reporting. In addition, Senior Financial Officers are responsible for ensuring that financial records are maintained in accordance with generally accepted accounting principles and any other applicable accounting rules and regulations. Each Senior Financial Officer should promptly report to the General Counsel and/or the Audit Committee of the Bank’s Board of Directors (the “Audit Committee”) any material information of which he or she may become aware that could affect the disclosures made by the Bank in its filings with the FDIC and in other public communications.
- **Reporting Deficiencies and Fraud.** Promptly report to the General Counsel and/or the Audit Committee any information concerning (1) significant deficiencies in the design or operation of the Bank’s internal control over financial reporting that could adversely affect the Bank’s ability to record, process, summarize, and report financial data and (2) any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank’s financial reporting, disclosures, or internal control over financial reporting.
- **Corporate Opportunities.** Each Senior Financial Officer is prohibited from taking for himself or herself personally opportunities that are discovered through the use of corporate property, information, or position. No Senior Financial Officer may use corporate property, information, or position for improper personal gain or compete with the Bank directly or indirectly.
- **Protection of Non-Public Information.** Each Senior Financial Officer shall take all reasonable measures to protect the confidentiality of non-public information about the Bank and its customers obtained or created in connection with activities engaged in by the Senior Financial Officers and to prevent the unauthorized disclosure of such information unless required by applicable law or regulation or legal or regulatory process.
- **Protection and Proper Use of Bank Assets.** Each Senior Financial Officer shall endeavor to protect the Bank’s assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Bank’s profitability. Bank equipment should be used only for legitimate business purposes, though incidental personal use, except in connection with personal political activities, may be permitted.

- **Fair Dealing.** Each Senior Financial Officer shall endeavor to respect the rights of and deal fairly with the Bank's clients, suppliers, competitors, and employees. No Senior Financial Officer shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.
- **Reporting Code and Legal Violations.** Promptly report to the General Counsel and/or the CEO any information concerning any violation of this Code by any other Senior Financial Officer and any information concerning evidence of a material violation of securities laws or other laws, rules, or regulations applicable to the Bank and the business operation of the Bank or any agent thereof.

Any violation or potential violation under the Employee Code involving any Senior Financial Officer must be promptly reported to the General Counsel and/or the Audit Committee. To the extent that any provision of this Code is in conflict with the Employee Code, such provision of this Code shall control. The Bank will not permit retaliation for reporting any violation or potential violation of this Code or the Employee Code made in good faith.

- **Disciplinary Measures.** Any violation or potential violation of this Code or the Employee Code by a Senior Financial Officer shall be reported to the Board of Directors, and the Board shall take action reasonably designed to deter wrongdoing and to promote accountability by Senior Financial Officers for adherence to such Codes. Following investigation by the Board, written notice shall be given to the Senior Financial Officer involved if and when the Board determines that a violation of this Code or the Employee Code has occurred or that a potential violation may occur. In such event, the written notice shall state the findings of the Board and shall include, as appropriate, any corrective actions, which may include, without limitation, censure by the Board, demotion or reassignment of the Senior Financial Officer involved, suspension with or without pay or benefits, and/or termination of employment. In determining the appropriate corrective action in a particular case, the Board, or its designee, shall take into account all relevant information, including the nature and severity of the violation or potential violation, whether the violation or potential violation was a single occurrence or involved repeated occurrences, whether the violation or potential violation appears to have been intentional or inadvertent, whether the Senior Financial Officer involved had been advised prior to the violation or potential violation as to the proper course of action, and whether or not the Senior Financial Officer had committed other violations or potential violations in the past. In cases of illegal activity or wrongdoing, the Board, or its designee, will notify the appropriate legal authorities.
- **Waiver or Modification of the Code of Ethics for Senior Financial Officers or the Employee Code.** A request by a Senior Financial Officer for a waiver of or exception to this Code or the Employee Code, or modification or amendment thereto, shall be directed to, and shall only be granted by, the Board or a designated Board committee. Any such waivers or modifications will be disclosed as required by law or FDIC regulation.

## APPENDIX E

### BY-LAWS OF JEFFERSON SECURITY BANK

#### Preamble

Effective midnight January 12, 1983, all by-laws heretofore adopted by Jefferson Security Bank shall be, and the same hereby are, repealed. Provided, however, such repeal shall be subject to the approval of the West Virginia Banking Commission.

Thereafter, subject to the approval of the West Virginia Banking Commission, the following by-laws, and all-amendments or deletions thereto, hereafter made shall be the by-laws of Jefferson Security Bank.

BY-LAWS of the Jefferson Security Bank,  
Shepherdstown, West Virginia

#### Article 1. - Stock.

1. CERTIFICATES OF STOCK shall be issued in numerical order from the stock certificate book. Each certificate shall be signed by the president, and also by either the secretary, treasurer, cashier, or chief executive officer who shall affix the corporate seal thereto. A record of each certificate stating to whom issued and the date thereof shall be maintained.

2. TRANSFER OF STOCK shall be made only upon the books of the corporation, and when a certificate is presented for transfer such certificate shall be surrendered for cancellation, marked cancelled by the cashier or chief executive officer of the Bank with the date of such cancellation affixed thereon and retained by the Bank in a file labeled "Cancelled Stock Certificates". Thereupon a new certificate or certificates shall be issued as directed by the person or persons surrendering the certificate or certificates for transfer in the manner set forth in Paragraph 1 of this Article.

#### Article 2. - Stockholders.

1. THE ANNUAL MEETING of the shareholders shall be held at or near the principal office of the bank within one hundred twenty (120) days of the close of each fiscal year as determined, from time to time, by the Board of Directors. [amended January 26, 2000]

2. SPECIAL MEETINGS of the stockholders may be held at or near the principal offices of the corporation at any time upon the call of the Board of Directors, or upon ~~call of stockholders having not less than ten percent of the capital stock~~ a request in proper written form by stockholders having not less than ten percent of the capital stock. Any stockholder entitled to request a special meeting and desiring to do so must deliver, either in person or by certified United States mail postage prepaid, a written request to the Secretary of the corporation at the principal executive office of the corporation, and any such request must contain the information set forth in items (a) through (f) of Article 9, Section 3. While any such request may specify that the proposed business to be conducted at the special meeting will be the election of one or more directors, any nomination by a stockholder of one or more candidates for such election must be proposed under, and meet all the requirements of, Article 8. Within thirty (30) days after written request of any

persons entitled to call a special meeting of stockholders is delivered to the Secretary of the corporation in accordance with this Section, the corporation will provide to each stockholder of record entitled to notice as provided by law, a notice setting forth the date, time and place and the purpose for the special meeting; the date of which will be determined by the corporation and will not be earlier than ten (10) nor later than ninety (90) days after receipt of the meeting request submitted in accordance with this Section.

3. WRITTEN NOTICE FOR ALL MEETINGS of stockholders shall be given by the corporation by mail to the last known post office address of each stockholder at least 10 days before such meeting, or by publication in some newspaper of general circulation in Jefferson County for at least three weeks. Notice of special meetings shall state the purpose or purposes thereof.

4. A QUORUM at any meeting of stockholders shall consist of a majority of the voting stock, represented in person or by proxy, and a majority of such quorum shall decide any question voted upon.

5. THE ORDER OF BUSINESS at the annual meetings shall be:

- a. Calling of the roll.
- b. Proof of notice of meetings.
- c. Reading and disposal of any unapproved minutes.
- d. Annual reports of officers and committees.
- e. Election of directors.
- f. Unfinished business.
- g. New business.
- h. Adjournment.

The order of business at all special meetings of the stockholders shall, after determination of the presence of a quorum and proof of notice of meeting, be disposition of the matter for which the meeting was called.

### Article 3. - Directors.

1. THE MANAGEMENT OF THE CORPORATION shall be vested in a Board of Directors composed of not less than five nor more than 11 persons who shall be stockholders and shall be elected, annually by the stockholders, at the annual meeting, for a term of one year, and who shall serve until the election and acceptance of their duly qualified successors. No person holding stock in the corporation of the par value of less than \$500.00 shall be nominated or elected to the Board of Directors.

2. REGULAR MEETINGS of the Board of Directors shall be held at least once every calendar month. By a majority vote, the Board of Directors may increase the frequency of its meetings beyond the required monthly meeting, as well as establish the day and time of said meetings. If any pre-established meeting date shall be a recognized legal holiday, the Board of Directors shall meet on either the day preceding or on the day following such holiday at the discretion of the President. [amended January 26, 1994]

3. THE PRESIDENT may call special meetings of the Board of Directors at any time.

4. A QUORUM shall consist of a majority of the Board, and a majority of such quorum shall decide any question coming before the meeting.

5. THE BOARD OF DIRECTORS shall fix the compensation of its officers and shall fix the compensation of the agents and employees responsible for the operation of the corporation.

6. UNLESS A MAJORITY of the Board of Directors otherwise direct, the president shall determine the order of business at all regular and special meetings of the Board.

7. IF A VACANCY SHOULD OCCUR in the office of Director the remaining Directors may, by a majority vote of the entire remaining Directors, elect a successor to serve until the next annual meeting of stockholders.

8. IT SHALL BE THE DUTY OF THE BOARD OF DIRECTORS, at the last meeting held by the Board before the annual stockholders meeting, to set the compensation to be paid to the Directors to be elected by the stockholders at the annual stockholders meeting next following.

#### Article 4. - Officers.

1. THE OFFICERS OF THE CORPORATION shall be a president, a vice-president, a secretary, and a treasurer, who shall be elected for one year. They shall be elected by the Board of Directors at the first meeting of the Board after the annual stockholders meeting. If any office becomes vacant during the year the Board may fill the vacancy for the unexpired term. No person shall be ineligible for the office of treasurer by reason of not being a stockholder or member of the Board. The offices of secretary and treasurer may be combined in one person.

2. IN ADDITION TO THE CORPORATE OFFICERS provided for in Paragraph 1 of this Article, the Board may elect or appoint such other subordinate officers as it may deem appropriate and delegate to such persons so elected or appointed such duties as the Board may deem proper and confer upon them such titles as the Board may deem fit.

3. THE PRESIDENT shall, unless the stockholders otherwise direct, preside at all meetings of the corporation and shall have general supervision of the affairs of the corporation. He shall sign all certificates of stock issued or transferred, and shall sign all contracts of the corporation. He shall give reports to the Directors and stockholders concerning matters affecting the corporation, and perform all such other duties as are incident to his office or properly required of him by the Board of Directors. In his absence, or in the event of his disability, his duties shall devolve upon the vice-president.

4. THE SECRETARY shall keep the minutes of the meetings of the corporation, issue notices of meetings when directed to do so, shall sign such documents as may require the signature of the secretary when directed so to do, shall have charge of the corporate seal, and shall perform such other duties as are incident to his office or required by him by the Board of Directors.

5. THE TREASURER shall be the cashier of the corporation and shall have custody of all the assets of the company, and shall be responsible for their proper care, management, and disbursement. He shall perform such duties as may be requested of him by the president or the Board of Directors and shall properly account to the president and the Board of Directors for all matters coming under his control, supervision or management. He shall, with the president, sign all certificates of stock issued or transferred. At all reasonable times, he shall exhibit his records, upon proper request, to any stockholder and to any governmental agency entitled by law to see the same.

#### Article 5. - Dividends.

Dividends shall be declared only from net profits, and only in accordance with law.

#### Article 6. - Seal.

The corporate seal of the corporation shall consist of two concentric circles between which is the name of the corporation, Jefferson Security Bank. Within the smaller circle shall be inscribed "Shepherdstown, West Virginia".

#### Article 7. - Amendments.

1. THESE BY-LAWS MAY BE AMENDED, repealed or altered, in whole or in part, by a majority vote of the entire outstanding stock of the company, at any regular meeting of the stockholders, or at any special meeting where such action has been announced in the call and notices of such meeting.

#### Article 8. - Nomination of Directors

1. ONLY PERSONS NOMINATED in accordance with the procedures in this Article 8 shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the corporation at any meeting of stockholders may be made only: (a) by or at the direction of the Board of Directors; or (b) by any stockholder entitled to vote for the election of directors who complies with the procedures set forth in this Article 8. Any candidate proposed by a stockholder not nominated in accordance with such procedures shall not be considered or acted upon for execution at such meeting of stockholders.

2. A NOMINATION BY A STOCKHOLDER of a candidate for election by stockholders as a director at any meeting of stockholders at which directors are to be elected may be made only by timely written notice, delivered to the Secretary of the corporation either in person or by certified United States mail postage prepaid, that complies with the requirements set forth in this Article 8. In the case of election of directors at an annual meeting of stockholders, any such notice must be received by the Secretary of the corporation at the principal executive office of the corporation no later than the December 31st immediately preceding such annual meeting. In the case of the election of directors at a special meeting of stockholders, any such notice must be received by the Secretary of the corporation: (a) not more than 90 calendar days prior to the date of such special meeting; and (b) on or before the later of (i) 60 calendar days prior to the date of such special meeting, and (ii) 10 business days after the date upon which the corporation shall have mailed notice to its stockholders that such special meeting will be held or otherwise publicly disseminated notice that such special meeting will be held.

3. A STOCKHOLDER'S NOTICE OF A PROPOSED NOMINATION for election as a director shall set forth, as to each person proposed to be nominated: (a) the name, age, address (business and residence) and principal occupation or employment (at the time of such notice and for the preceding five (5) years) of such person; (b) the number of shares of the corporation such person beneficially owns (as such term is defined by Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act")) and any other ownership interest in the shares of the corporation, whether economic or otherwise; and (c) any other information relating to such person that would be required to be disclosed in a definitive proxy statement to stockholders prepared in connection with an election of directors pursuant to Section 14(a) of the Exchange Act. Such notice shall also set forth, as to the stockholder giving the notice: (v) the name and address of the stockholder proposing such nomination; (w) the class and number of shares of the corporation which are beneficially owned by the stockholder and any other ownership interest in the shares of the corporation, whether economic or otherwise; (x) any relationship between the stockholder and the proposed nominee; (y) a representation that the person sending the notice is a stockholder of record on the record date and shall remain such through the meeting date; and (z) a representation that such stockholder intends to appear in person or by proxy at such meeting to move the nomination forth in the notice. In addition, the corporation may require any proposed nominee to furnish additional information as may be reasonably required to determine the qualifications of such person to serve as a director of the corporation.

4. THE SECRETARY OF THE CORPORATION SHALL DETERMINE whether a stockholder's notice of a proposed nomination for election as a director complies with the requirements of this Article 8 so as to be considered properly given to the Secretary. If the Secretary determines that such notice has not been properly given, the Secretary shall inform the notifying stockholder of such determination in writing within five (5) days from the date such notice was received by the corporation.

Article 9. - Advance Notice of Stockholder Proposed Business at Annual or Special Meeting Relating to Matters other than Nominations for and Elections of Directors

1. AT ANY MEETING OF STOCKHOLDERS, only such business (other than a nomination of a candidate for election as a director, which is covered by Article 8) shall be conducted as shall have been properly brought before the meeting. No business is properly brought before an annual meeting of stockholders unless such business is: (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors; (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors; or (c) otherwise properly brought before the meeting by a stockholder who (i) is a stockholder of record both at the time of giving of notice provided for in these By-Laws and at the date of the meeting, (ii) is entitled to vote at the meeting and (iii) complies with the notice procedures set forth in this Article 9. No business is properly brought before a special meeting of the stockholders unless it is specified in the notice of meeting (or any supplement thereto) provided by the corporation under Article 2.

2. FOR BUSINESS TO BE PROPERLY BROUGHT BEFORE AN ANNUAL MEETING BY A STOCKHOLDER, in addition to any other applicable requirements: (a) the stockholder must have given timely notice thereof in writing, delivered to the Secretary of the corporation, either in person or by certified United States mail postage prepaid, at the principal office of the corporation; (b) such notice must comply with the requirements of this Article 9; and (c) such business must be a proper matter for stockholder action under the West Virginia Business

Corporation Act. To be timely, a stockholder's notice must be received by the Secretary at the principal executive office of the corporation no later than the December 31st immediately preceding the annual meeting of stockholders.

3. A STOCKHOLDER'S NOTICE OF BUSINESS proposed to be conducted at a meeting of stockholders that is made under either Article 2, Section 2 or this Article 9 shall be signed by the stockholder of record who intends to make the proposal (or such stockholder's duly authorized proxy or other representative), shall bear the date of signature of such stockholder (or proxy or other representative) and shall set forth: (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (b) the name and address of the stockholder proposing such business; (c) the class and number of shares of the corporation which are beneficially owned by the stockholder and any other ownership interest in the shares of the corporation, whether economic or otherwise; (d) any material interest of the stockholder in such business; (e) a representation that the person sending the notice is a stockholder of record on the record date and shall remain such through the meeting date; and (f) a representation that such stockholder intends to appear in person or by proxy at such meeting to move the consideration of the business set forth in the notice.

4. THE SECRETARY OF THE CORPORATION SHALL DETERMINE whether a notice of business proposed to be conducted at a meeting of stockholders complies with the requirements of this Article 9 so as to be considered properly given to the Secretary. If the Secretary determines that such notice has not been properly given, the Secretary shall inform the notifying stockholder of such determination in writing within five (5) days after the date such notice was received by the corporation.

5. NO BUSINESS SHALL BE CONDUCTED at an annual meeting or special meeting of stockholders except in accordance with the procedures set forth in this Article 9 (other than the nomination and election of directors, which shall only be conducted in accordance with the procedures set forth in Article 8); provided, however, that nothing in this Article 9 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with said procedures. The Chair of an annual or special meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Article 9, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be conducted or discussed.

#### Article 10. - Applicable Requirements of the Exchange Act

Nothing in these By-Laws shall require the corporation to include in any notice, proxy statement or other mailing to stockholders any information regarding nominees or proposals made by stockholders except as otherwise required by law. In addition to Articles 8 and 9, a stockholder shall comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in Articles 8 and 9. The procedures set forth in Articles 8 and 9 shall apply to all proposals of business to be considered by the stockholders at any annual meeting or special meeting and is not limited to proposals for business brought pursuant to Rule 14a-8 of the Exchange Act. Nothing in Articles 8 and 9 shall be deemed to limit the corporation's obligation to include stockholder proposals in its proxy statement if such inclusion is required by Rule 14a-8 under the Exchange Act.