

CAPITAL CITY BANK GROUP, INC.  
217 North Monroe Street  
Tallahassee, Florida 32301

PROXY FOR ANNUAL MEETING

APRIL 30, 1996

KNOW ALL MEN BY THESE PRESENTS that I, the undersigned Shareholder of Capital City Bank Group, Inc. (the "Company"), Tallahassee, Florida, do hereby nominate, constitute and appoint Randolph M. Pople and Herschel Williams or any one of them (with full power to act alone), my true and lawful attorney(s) and proxy(ies) with full power of substitution, for me and in my name, place and stead to vote all the Common Stock of the Company, standing in my name on its books as of the close of business on Monday, March 4, 1996, at the annual meeting of its shareholders to be held at the Florida State Conference Center, 555 West Pensacola Street, Tallahassee, Florida, on Tuesday, April 30, 1996, at 4:00 p.m., or at any adjournments thereof with all the power the undersigned would possess if personally present, as follows:

(1) To fix the number of directors to be elected at seven (7) and the election of the seven (7) persons listed as a group, except as individually marked to the contrary below:

For \_\_\_\_\_ Against \_\_\_\_\_ Abstain \_\_\_\_\_

- |                       |                            |
|-----------------------|----------------------------|
| (1) DuBose Ausley     | (5) Payne H. Midyette, Jr. |
| (2) Thomas A. Barron  | (6) Godfrey Smith          |
| (3) Cader B. Cox, III | (7) William G. Smith, Jr.  |
| (4) John K. Humphress |                            |

INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided below.

(2) To approve the Company's 1996 Associate Incentive Plan:

For \_\_\_\_\_ Against \_\_\_\_\_ Abstain \_\_\_\_\_

(3) To approve and adopt the proposed Amended and Restated Articles of Incorporation of the Company:

For \_\_\_\_\_ Against \_\_\_\_\_ Abstain \_\_\_\_\_

(4) To ratify the appointment of Arthur Andersen LLP as auditors for the Company for the fiscal year ending December 31, 1996:

For \_\_\_\_\_ Against \_\_\_\_\_ Abstain \_\_\_\_\_

(5) In the discretion of the proxies named above, to approve such other business as may be brought before the meeting or any adjournment thereof:

For \_\_\_\_\_ Against \_\_\_\_\_ Abstain \_\_\_\_\_

The Board of Directors recommends a vote "FOR" all these proposals.

This Proxy is solicited on behalf of the Board of Directors and may be revoked prior to its exercise.

This Proxy will be voted as directed, but if no direction is given as to a particular proposal or proposals, the Proxy will be voted "FOR" such proposal or proposals.

The undersigned shareholder(s) hereby acknowledges receipt of the Notice of Annual Meeting and Proxy Statement.

Dated: \_\_\_\_\_ Signature: \_\_\_\_\_  
(Signature)

When signed as attorney, personal representative, administrator, trustee or guardian, please give full title. If more than one trustee, all should sign. If owned jointly, at least one joint owner must sign. If by a corporation please sign full corporate name by president or other authorized officer. If by a partnership please sign by an authorized person.

CAPITAL CITY BANK GROUP, INC.  
217 North Monroe Street  
Tallahassee, Florida 32301

April 10, 1996

Dear Fellow Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders of Capital City Bank Group, Inc., scheduled for 4:00 p.m., Tuesday, April 30,

1996 at the Florida State Conference Center, 555 West Pensacola Street, Tallahassee, Florida.

In addition to the annual election of directors, you are being asked to vote on several important matters relating to corporate governance and the 1996 Associate Incentive Plan. Your Board of Directors encourages the vote of every shareholder. The meeting will begin at 4:00 p.m. I hope you will come early and join your friends for light refreshments at 3:30 p.m.

Whether or not you plan to be present at the annual meeting, it would be most helpful if you would execute the enclosed Proxy and return it by Friday, April 19, 1996. A postage-paid envelope is enclosed for your convenience.

Sincerely,

/s/ William G. Smith, Jr.  
William G. Smith, Jr.  
President  
CAPITAL CITY BANK GROUP, INC.  
217 North Monroe Street  
Tallahassee, Florida 32301

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 30, 1996

NOTICE IS HEREBY GIVEN that the Annual Meeting (the "Meeting") of Shareholders of Capital City Bank Group, Inc. (the "Company") will be held at the Florida State Conference Center, 555 West Pensacola Street, Tallahassee, Florida, on Tuesday, April 30, 1996, at 4:00 p.m., for the following purposes:

(1) To fix the number of directors to be elected at seven (7) and to elect seven (7) directors of the Company as set forth in the enclosed Proxy Statement;

(2) To approve the Company's 1996 Associate Incentive Plan;

(3) To approve and adopt certain amendments to the Company's Articles of Incorporation, as set forth in the Proposed Amended and Restated Articles of Incorporation of the Company and as more fully described in the enclosed Proxy Statement;

(4) To ratify the appointment of Arthur Andersen LLP as auditors for the Company for the fiscal year ending December 31, 1996; and

(5) To transact any and all such other business as may properly come before the meeting.

Information relating to the above matters is set forth in the accompanying Proxy Statement dated April 10, 1996.

Only shareholders of record at the close of business on Monday, March 4, 1996, will be entitled to receive notice of and to vote at the Meeting.

By Order of the Board of Directors,

/s/ J. Kimbrough Davis

J. Kimbrough Davis  
Corporate Secretary

Tallahassee, Florida  
April 10, 1996

WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY. A SELF-ADDRESSED, STAMPED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. SHAREHOLDERS WHO ARE PRESENT AT THE MEETING MAY REVOKE THEIR PROXY AND VOTE IN PERSON IF THEY SO DESIRE.

CAPITAL CITY BANK GROUP, INC.  
217 North Monroe Street  
Tallahassee, Florida 32301

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

APRIL 30, 1996

GENERAL

Purpose of Solicitation

The Annual Meeting of the Shareholders (the "Meeting") of Capital City

Bank Group, Inc. (the "Company") will be held at the Florida State Conference Center, 555 West Pensacola Street, Tallahassee, Florida, on Tuesday, April 30, 1996, at 4:00 p.m., for the purposes set forth in the attached Notice of Annual Meeting of Shareholders and in this Proxy Statement. The accompanying Proxy is solicited on behalf of the Company's Board of Directors, at the expense of the Company, in connection with such Meeting and any adjournment thereof. This Proxy Statement and the enclosed Proxy are being mailed to shareholders on or about April 10, 1996.

#### Voting and Revocability of Proxies

When the Proxy is properly executed and returned to the Company, it will be voted as directed by the shareholder executing it unless it is revoked prior to the vote of the shareholders at the Meeting. If no directions are given on the Proxy, the shares represented by the Proxy will be voted FOR (i) fixing the number of directors at seven (7), and electing the seven (7) directors listed as a group and as named herein; (ii) approving the Company's 1996 Associate Incentive Plan (the "Incentive Plan"); (iii) approving and adopting certain amendments (the "Proposed Amendments") to the Company's Articles of Incorporation, as set forth in the Proposed Amended and Restated Articles of Incorporation attached hereto as Exhibit B (the "Proposed Articles") and as more fully described herein; and (iv) ratifying the appointment of Arthur Andersen LLP as the Company's auditors for the fiscal year ending December 31, 1996. Any person giving a Proxy may revoke it at any time before it is exercised by the execution of another Proxy bearing a later date or by written notification to the Corporate Secretary of the Company. Shareholders who are present at the Meeting may revoke their Proxy and vote in person if they so desire.

#### Persons Entitled to Vote and Outstanding Voting Securities

Only shareholders of record at the close of business on Monday, March 4, 1996 (the "Record Date"), are entitled to notice of and to vote at the Meeting or any adjournments thereof. Each share of common stock of the Company, par value \$.01 per share (the "Common Stock") entitles the holder to one vote on any matter coming before the Meeting. As of the Record Date, there were 2,862,284 shares of Common Stock of the Company issued and outstanding which were held of record by approximately 933 shareholders.

#### Voting Requirements

Under the Bylaws of the Company, a majority of the shares of Common Stock entitled to vote will constitute a quorum at a meeting of shareholders. The presence of a quorum at the Meeting, either in person or by written proxy, and a favorable vote of a plurality of the shares represented and voted at the Meeting shall be required for the election of directors and ratification of the auditors. To comply with voting requirements of the Securities and Exchange Commission with respect to shareholder approval of employee benefit plans, a favorable vote of a majority of the shares represented and voted at the Meeting shall be required for the approval of the Incentive Plan. Because the Board of Directors has decided to submit all the Proposed Amendments to the shareholders as a single proposal, including certain amendments described herein which will increase the shareholder vote necessary to take or approve of certain actions, and because the Florida Business Corporation Act (the "FBCA") requires that any amendments which increase the voting requirement for a particular shareholder action be approved by such higher voting requirement, the affirmative vote of at least two-thirds (66 %) of all the issued and outstanding voting stock of the Company shall be required for shareholder approval of the Proposed Articles. On all matters, abstentions and broker non-votes are counted for purposes of determining whether a quorum is present. For purposes of Proposal 2, the approval of the Incentive Plan, abstentions shall have the same effect as a vote against such proposal, while broker non-votes shall not be counted. For purposes of Proposal 3, the approval of the Proposed Articles, abstentions and broker non-votes shall have the same effect as a vote against such proposal. On all other matters, abstentions and broker non-votes shall not be counted for purposes of election or ratification. None of the proposals to be considered at the Meeting shall create dissenters' rights under the FBCA.

#### PROPOSAL ONE ELECTION OF DIRECTORS

It is proposed that the number of directors constituting the Board of Directors for 1996 be fixed at seven (7), and that the seven (7) nominees named herein be elected to serve until their successors are elected and qualified. All of the nominees currently serve as directors of the Company. The presence of a quorum and the favorable vote of a plurality of the shares represented in person or by written proxy and voted at the Meeting shall be required for the election of directors.

In the event of a vacancy occurring on the Board of Directors, the remaining directors, by affirmative vote of a majority thereof, whether or not constituting a quorum, may fill such vacancy for the unexpired term. If at any time the number of directors shall be increased, the additional directors to be elected may be elected by the directors then in office by the affirmative

vote of a majority thereof at a regular meeting or at a special meeting called for that purpose, to serve until the next election of directors.

In the event that the Proposed Amendments are approved, the Board of Directors would, commencing immediately subsequent to the 1997 Annual Meeting of Shareholders, be classified into three classes, as nearly equal in size as possible, to serve staggered three (3) year terms. Class I directors would serve until the date of the 1998 Annual Meeting of Shareholders, Class II directors would serve until the date of the 1999 Annual Meeting of Shareholders, and Class III directors would serve until the date of the 2000 Annual Meeting of Shareholders, or until their successors are elected and qualified. At each Annual Meeting of Shareholders beginning in 1998, successors to the class of directors to be elected at such meeting shall be elected for a three (3) year term. Any increase or decrease in the number of members of the Board of Directors shall be apportioned among the classes so as to maintain the number of directors in each class as nearly as equal as possible. See "AMENDMENTS TO THE ARTICLES OF INCORPORATION--Amendment to Establish a Classified Board of Directors."

#### Information Concerning Nominees

The following table sets forth the name of each nominee for election as a director of the Company, his age, the year in which he was first elected a director of the Company, the number of shares of Common Stock beneficially owned on March 4, 1996, a brief description of the nominee's principal occupation and business experience during the last five years, directorships of certain other companies presently held, and certain other information. All nominees were elected as directors by the shareholders of the Company at the last Annual Meeting of Shareholders. The nominees listed below have indicated they are willing and able to serve as directors if elected.

NAME	AGE	INFORMATION ABOUT NOMINEE	SHARES OF COMMON STOCK BENEFICIALLY OWNED ON MARCH 4, 1996	PERCENTAGE OF OWNERSHIP
DuBose Ausley*	58	A director since 1982, he is Chairman of the Board of the Company. Mr. Ausley is Chairman of the law firm of Macfarlane Ausley Ferguson & McMullen and has served as a director of TECO Energy, Inc., since 1992. In March of 1993, Mr. Ausley was elected to the Board of Sprint Corporation and he served as a director of Centel Corporation from 1982 to 1993.	235,377(1)	8.22%
Thomas A. Barron*	43	A director since 1982, he is Treasurer of the Company and was elected President of Capital City Bank in January 1995. He served as President of Capital City Second National Bank from 1979 to 1995 and President of Industrial National Bank from 1982 to 1995.	77,793(2)	2.72%
Cader B. Cox, III	46	A director since October 1994, he is President of Riverview Plantation, Inc.	1,000	**
John K. Humphress	47	A director since October 1994, he is a partner in Krause Humphress Pace & Wadsworth, Chartered CPA's.	36,563(3)	1.28%
Payne H. Midyette	68	A director since 1983, he is Chairman of the Executive Committee of Midyette-Moor, a division of Palmer & Cay/Carswell, Inc. From 1985 to 1992 he was Chairman of Alexander & Alexander, Inc., (Florida Corporation) d/b/a Midyette-Moor Insurance Agency.	89,774(4)	3.14%
Godfrey Smith*(7)	82	A director since 1982, he was elected Vice Chairman of the Company and Capital City Bank in January 1995. Mr. Smith served as President of the Company from 1982 to 1995.	552,314(5)	19.30%
W.G. Smith, Jr.*(7)	42	A director since 1982, he was	449,782(6)	15.71%

elected President of the Company and Chairman of Capital City Bank in January 1995. Mr. Smith served as Executive Vice President and Chief Operating Officer of the Company from 1987 to 1995 and President of Capital City First National Bank of Tallahassee from 1989 to 1995.

All directors and executive officers as a group (10 persons)

1,452,611 (8) 50.75%

\*Serves as an executive officer of the Company.

\*\*Less than 1%

- (1) Includes (i) 60,892 shares held in trust under which Mr. Ausley serves as trustee and has sole voting and investment power; (ii) 10,000 shares owned by a corporation of which Mr. Ausley is Chairman and as to which Mr. Ausley controls voting and investment power; (iii) 3,010 shares held in trusts under which Mr. Ausley serves as a trustee and has shared voting and investment power; and (iv) 1,475 shares owned by Mr. Ausley's wife, to which he disclaims beneficial ownership.
- (2) Includes (i) 34,343 shares held in trusts under which Mr. Barron serves as trustee; (ii) 153 shares for which Mr. Barron has Power of Attorney and may be deemed to be a beneficial owner; and (iii) 5,000 shares owned by Mr. Barron's wife, to which he disclaims beneficial ownership.
- (3) Includes (i) 7,116 shares of which Mr. Humphress has Power of Attorney and may be deemed to be beneficial owner; (ii) 17,424 shares held in trust for which Mr. Humphress serves as a member of an advisory committee and may be deemed to be a beneficial owner; (iii) 600 shares in accounts for his children for which Mr. Humphress is Custodian; and (iv) 300 shares owned by Mr. Humphress's wife, to which he disclaims beneficial ownership.
- (4) Includes (i) 31,020 shares for which Mr. Midyette has Power of Attorney and may be deemed to be a beneficial owner; and (ii) 3,117 shares owned by Mr. Midyette's wife, to which he disclaims beneficial ownership.
- (5) Includes 52,000 shares held by Mr. Smith's wife, to which he disclaims beneficial ownership.
- (6) Includes (i) 16,588 shares in accounts for his children for which Mr. Smith is Custodian; (ii) 90,000 shares held in a trust under which Mr. Smith shares voting and investment power as a co-trustee; (iii) 111,512 shares held by a partnership under which Mr. Smith shares voting and investment power; and (iv) 6,061 shares owned by Mr. Smith's wife, to which he disclaims beneficial ownership.
- (7) Godfrey Smith is the father of William G. Smith, Jr.
- (8) Includes shares held by J. Kimbrough Davis, Mitchell R. Englert and Randolph K. Briley, executive officers of the Company. Mr. Davis' shares include (i) 2,681 shares in which he has sole voting and investment power; (ii) 4,169 shares in which he shares voting and investment power; (iii) 300 shares in accounts for his children for which Mr. Davis is Custodian; and (iv) 1,192 shares owned by his wife, to which he disclaims beneficial ownership. Mr. Englert's shares include (i) 923 shares in which Mr. Englert shares voting and investment power; and (ii) 100 shares in accounts for Mr. Englert's children for which Mr. Englert is Custodian. Mr. Briley's shares include 643 shares which Mr. Briley directly and beneficially owns and for which Mr. Briley has sole voting and investment power.

#### Board Committees, Attendance and Compensation

Board committees are established and functioning in the individual banks owned or controlled by the Company (the "Group Banks"). The Company does not maintain any standing committees of its Board of Directors, other than its Compensation Committee which is responsible for making recommendations to the Board of Directors regarding compensation of the Company's President, reviewing the compensation of certain other executive officers and administering certain compensation, benefit and incentive plans. During fiscal year 1995, the Compensation Committee, which was comprised of Messrs. Cox, Humphress and Midyette, held nine (9) meetings. Five of the Company's directors serve on the Board of Directors of one or more of the four Group Banks. Additionally, these directors serve on various committees established by the Group Banks.

In 1995, the Company paid directors fees of \$400 per meeting attended,

plus a \$2,500 retainer fee. Directors who are officers of the Company are not paid directors fees or a retainer. All of the directors attended at least 75% of the twelve (12) Board of Directors meetings held during 1995. On February 23, 1996, the Company adopted the 1996 Director Stock Purchase Plan (the "Director Plan"), which will, commencing on January 1, 1997, give directors of the Company the ability to purchase Common Stock at a price of 90 percent of its fair market value, as determined on January 1 of each year, in an amount not to exceed the aggregate of their annual retainer and monthly fees received in the previous calendar year from serving as directors.

#### EXECUTIVE OFFICERS, COMPENSATION AND OTHER INFORMATION

##### Executive Officers

Executive officers are elected annually by the Board of Directors of the Company at its meeting following the Annual Meeting of Shareholders to serve for a one (1) year term and until their successors are elected and qualified. Messrs. Ausley, Barron, Godfrey Smith and William G. Smith, Jr. serve as directors and executive officers of the Company. For additional information pertaining to the business experience and other positions held by these four individuals, see "ELECTION OF DIRECTORS--Information Concerning Nominees." Executive Officers

##### Information Concerning Executive Officers

DuBose Ausley	Mr. Ausley, Chairman of the Board, is 58
Thomas A. Barron	Mr. Barron, Treasurer, is 43
Randolph K. Briley(1)	Mr. Briley, Executive Vice President and Relationship Banking Manager, Capital City Bank, is 49
J. Kimbrough Davis(2)	Mr. Davis, Senior Vice President and Chief Financial Officer, is 42
Mitchell R. Englert(3)	Mr. Englert, Executive Vice President and Retail Banking Manager, Capital City Bank, is 42
Godfrey Smith(4)	Mr. Smith, Vice Chairman, is 82
William G. Smith, Jr.(4)	Mr. Smith, President, is 42

(1) Mr. Briley was elected Executive Vice President and Relationship Banking Manager of Capital City Bank in January 1995. He served as Executive Vice President of Capital City First National Bank from April 1990 to 1995.

(2) Mr. Davis was elected Senior Vice President and Chief Financial Officer of the Company in January 1991. He served as Vice President and Chief Financial Officer from 1987 to 1990 and in January 1995 he was elected Chief Financial Officer of Capital City Bank.

(3) Mr. Englert was elected Executive Vice President and Retail Banking Manager of Capital City Bank in January 1995. He served as President of City National Bank from July 1989 to 1995.

(4) Godfrey Smith is the father of William G. Smith, Jr.

##### Compensation Committee Report

The Compensation Committee is responsible for making recommendations to the Board of Directors regarding compensation of the Company's President and administering certain compensation and benefit plans. The Committee also reviews from time to time the compensation of senior management in general and provides its comments on such compensation to the President. Our primary objective in the area of compensation is to attract and retain the highest quality executive officers by implementing compensation plans which are competitive while assuring compensation is reflective of the Company's performance. We believe executive compensation should be designed to motivate executives to pursue the actions necessary to strengthen Company performance and enhance shareholder value. To achieve these objectives, the Company's executive compensation program ties a significant portion of officer compensation to Capital City Bank Group's success in meeting specified performance goals which we believe enhance shareholder value. The committee used a peer group of similar banks as a benchmark for compensation in 1995.

In 1995, we engaged an independent executive compensation consultant to assist the Committee in their assessment and evaluation of the appropriateness of the executive compensation program. The banks for the peer group were chosen based on the similarities with Capital City Bank Group relative to size and the types of markets they serve. We feel this is an appropriate comparison for both performance and compensation purposes. We have used the new peer group in our stock performance graph for comparison purposes.

A description of each of the major elements of the executive compensation

program and its specific relationship to corporate performance and a summary of the decisions and actions taken by the Compensation Committee with regard to 1995 executive compensation are described below.

Executive officers' base salaries are determined principally by the responsibilities required by the position, the experience of the individual, and the competitive market. Executives are eligible for periodic increases in their base salary as a result of individual performance or significant changes in their responsibilities. However, it is the intention of the Company to keep salary increases low on a comparative basis and provide additional opportunity through incentives.

Mr. William G. Smith, Jr. was elected to serve as President of the Company as of January 1, 1995. His base salary was not raised in 1995 although he assumed additional responsibilities. Instead, Mr. William G. Smith, Jr.'s opportunity under the profit participation plan was increased slightly.

The profit participation plan enables executive officers to earn a cash incentive based on the Company's and/or Group Bank's profitability targets, established at the beginning of the year by the Board of Directors for the Company and for each of the Group Banks. The amount of cash bonus which may be earned by an executive increases or decreases, within a range, by a multiple of the percentage by which net income exceeds or falls short of the established profit goals. The goals are based upon earnings performance. We believe improved earnings performance will translate into long-term increases in shareholder value.

Mr. William G. Smith, Jr.'s annual bonus under this plan was tied directly to the Company's actual profitability for 1995 compared to budget. It is our belief his performance and influence are best measured by the Company's profitability. In 1995, his incentive compensation represented 56% of his total cash compensation.

Pursuant to the Company's 1992 Stock Incentive Plan, certain executive officers of the Company and the Group Banks are eligible to earn shares of the Company's common stock. Actual grants are determined by the Committee based on the achievement of short and long-term performance goals. These goals are set for each individual participant by the Committee with reference to several performance factors. The performance factors include return on assets, operating efficiency, level of nonperforming assets, net charge-offs, loan growth and deposit growth. The factors may be applied to the Company, a Group Bank, or a combination thereof, depending on the position and level of responsibility of the individual participant.

Specific targets and weightings used for establishing short-term and long-term performance goals are subject to change at the beginning of each measurement period, and are influenced by the Committee's desire to emphasize performance in certain areas. In addition to stock earned in 1995, the Company provided a cash bonus equal to 28% of the value of stock as a partial offset to the tax liability incurred by the participant.

Mr. William G. Smith, Jr. received a payout of 318 shares, with a fair market value of \$33 per share, based upon the achievement of predetermined short-term performance goals for 1995. The opportunity at maximum performance was 706 shares. In 1995, there were no shares earned pursuant to the achievement of long-term performance goals, since the current cycle for such awards does not end until December 31, 1997.

The Committee believes that the executive compensation program described in this Report serves the interests of the shareholders and the Company. Executive officer compensation is linked to individual and Company short and long-term performance objectives. The Committee will continue to ensure that the compensation program, and each element therein, meets Capital City Bank Group's business objectives and philosophy.

Compensation Committee

/s/ Cader B. Cox, III  
 /s/ John K. Humphress  
 /s/ Payne H. Midyette, Jr.

Executive Compensation

The following summary compensation table sets forth information concerning compensation for services in all capacities earned or paid to the Company's President and the four other most highly compensated executive officers of the Company who earned over \$100,000 in aggregate salary, bonus and other compensation in 1995.

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION(1)			LONG-TERM COMPENSATION(1)
		SALARY	BONUS	OTHER ANNUAL COMPENSATION	LTIP
William G. Smith, Jr. PRESIDENT	1995	\$132,000	\$170,494(2)	\$ 2,938(3)	\$ ---
	1994	132,000	165,822(2)	4,553(3)	10,500

	1993	132,000	166,804(2)	4,033(3)	---
Thomas A. Barron	1995	148,000	153,461(2)	2,929(3)	---
TREASURER	1994	148,000	149,985(2)	6,040(3)	15,000
	1993	148,000	113,146(2)	1,973(3)	---
Godfrey Smith					
VICE CHAIRMAN	1995	150,000	75,000	---	---
	1994	175,000	75,000	---	---
	1993	197,800	87,000	---	---
J. Kimbrough Davis					
SENIOR VICE PRESIDENT	1995	90,000	47,086(2)	1,312(3)	---
CFO	1994	80,500	46,079(2)	5,645(3)	16,500
	1993	78,100	40,430(2)	1,856(3)	---
Randolph K. Briley	1995	88,400	30,000	---	---
Executive Vice	1994	84,975	32,700	---	---
President and	1993	82,500	30,000	---	---
Relationship Banking Manager, Capital City Bank					

(1) Includes compensation for services as an officer of the Group Banks, where applicable.

(2) Includes cash bonuses and the value of short-term incentive stock awards.

(3) Consists of cash bonuses paid as a tax supplement to participants in the Company's 1992 Stock Incentive Plan.

In September 1995, the Board of Directors of the Company approved a supplemental retirement plan (the "Supplemental Plan") for Mr. William G. Smith, Jr. and Mr. Thomas A. Barron, effective as of January 1, 1996. The Supplemental Plan is designed to restore a portion of the benefits of Messrs. Smith and Barron which they would otherwise receive under the Retirement Plan (as hereinafter defined), but for limitations imposed pursuant to provisions of the Internal Revenue Code of 1986, as amended (the "Code"). In general, participants under the Retirement Plan receive benefits determined pursuant to a formula which is based on average monthly compensation. Because of the above-referenced limitations, the relative benefits to Messrs. Smith and Barron under the Retirement Plan, as a percentage of total compensation, are significantly less than those of other Retirement Plan participants. The Supplemental Plan provides additional benefits, which, when combined with benefits payable under the Retirement Plan, approximate 60 percent of average monthly compensation, which more closely aligns the benefits to Messrs. Smith and Barron with those of other Retirement Plan participants. The Supplemental Plan will not be a qualified plan under Section 401(a) of the Code. The Company has no obligation to fund the Supplemental Plan but will accrue for its anticipated obligation on an annual basis.

#### Stock Incentive Plan

The Company's 1992 Stock Incentive Plan (the "Award Plan") was adopted by the shareholders of the Company on April 28, 1992. The Award Plan became effective January 1, 1992, and awards may be made until January 1, 2002. The purpose of the Award Plan is to attract and retain key officers who are in a position to make material contributions to the successful operation of the business of the Company and its subsidiaries. The Award Plan is designed to focus management's efforts on long-term results, while being attentive to short-term profitability. On January 26, 1996, the Company issued 1,692 shares to plan participants in recognition of achievement of short-term performance goals for the performance period ended December 31, 1995.

A participant in the Award Plan is not required to pay any consideration to the Company in exchange for the receipt of incentive stock awards. The Award Plan is administered by the Compensation Committee and no member of such committee is eligible to receive awards pursuant to the Award Plan. Awards of Common Stock are determined by the Compensation Committee and may be granted as either performance grants or capital grants. Performance grants provide awards of stock based upon the achievement of specified performance goals established by the Board of Directors, while capital grants are not conditioned upon the attainment of any specific performance goals. To date, all shares of stock issued under the Award Plan have been based upon the achievement of specified performance goals.

When a performance grant is made, it may provide that shares of incentive stock will be issued to a participant only upon the achievement of certain performance goals, or the Compensation Committee may issue the stock immediately, subject to later forfeiture by the participant in the event the performance goals are not met. The Compensation Committee also has the discretion to issue incentive stock on other bases which it may determine. A restricted period may, but need not be, imposed on all awards under the Award Plan, during which participants may not sell, assign or transfer their incentive stock. A recipient of incentive stock is entitled to all other



rights of a shareholder, including the right to vote such shares and receive dividends thereon, during the restricted period. In the event of any change of control in the ownership of the Company, shares of incentive stock are freed of all restrictions, including any performance requirements. If an Award Plan participant ceases to be employed by the Company (other than by reason of death, disability or retirement) during the period in which his or her incentive stock remains restricted, any such restricted stock will be forfeited and returned to the Company. Upon death, disability or retirement, shares of incentive stock are freed of restrictions to the extent determined by the Compensation Committee.

In connection with the adoption by the Company's Board of Directors of the Incentive Plan, the Award Plan was terminated and all vested performance awards, consisting of long-term awards of 10,584 shares, were canceled and reissued under the Incentive Plan, subject to shareholder approval of the Incentive Plan at the Meeting. All vested and outstanding short-term awards earned under the Award Plan have been issued and no such awards remain to be issued. See "APPROVAL OF CAPITAL CITY BANK GROUP, INC.'S 1996 ASSOCIATE INCENTIVE PLAN."

#### Associate Stock Purchase Plan

The Company's 1995 Associate Stock Purchase Plan (the "Purchase Plan") was adopted by the shareholders of the Company on April 26, 1995. The Purchase Plan became effective on March 20, 1995. The purpose of the Purchase Plan is to provide employees of the Company and its Designated Subsidiaries (as defined in the Purchase Plan) who (i) have been employed by the Company for one (1) year or more and (ii) do not own five percent (5%) or more of all outstanding Common Stock on a fully diluted basis (i.e., after taking into account outstanding stock options and other Common Stock equivalents), with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions or other contributions. The Purchase Plan qualifies as an "Employee Stock Purchase Plan" under Section 423 of the Code. The maximum number of shares of Common Stock which shall be made available under the Purchase Plan is 150,000 shares with appropriate adjustment in the case of any extraordinary dividend or other distribution, recapitalization, forward or reverse split, reorganization, merger, consolidation, spinoff, combination, repurchase, share exchange or other similar corporate transaction or event affecting the Common Stock. Under the terms of the Purchase Plan, the shares of the Common Stock purchased by participants are purchased directly from the Company. The Purchase Plan provides that Common Stock may be purchased at a discount, not to exceed 15 percent, which is to be fixed by the Board of Directors from time to time.

As of the Record Date, 6,660 shares of the Common Stock had been purchased under the Purchase Plan. The Board of Directors has the right to amend or terminate the Purchase Plan at any time, provided that no such amendment or termination may adversely affect purchase rights previously granted, except that an offering period may be terminated by the Board of Directors on any exercise date if the Board of Directors determines that the termination of the Purchase Plan is in the best interests of the Company and its shareholders. Although members of the Board of Directors are eligible to participate in the Purchase Plan, no member of the Compensation Committee may participate in the Purchase Plan, and members of the Board of Directors who are eligible to participate in the Purchase Plan may not vote on any matter affecting the administration thereof or the grant of any option pursuant thereto.

#### Retirement Plan

The Company maintains a noncontributory, defined benefit retirement plan (the "Retirement Plan") which covers all full-time associates (and certain part-time associates with 1,000 hours of service annually) of the Company and the Group Banks. The Retirement Plan, which contains a five (5) year vesting requirement, provides monthly payments upon retirement at age 65 based generally upon the average monthly compensation for the last five (5) consecutive years in which compensation was highest within the last ten (10) years of employment, with additional pre-retirement disability and death benefits. The Retirement Plan includes profit participation payments as part of the compensation covered therein. The 1995 compensation covered by the Retirement Plan was \$192,957 for Mr. Barron, \$121,274 for Mr. Briley, \$138,166 for Mr. Davis, \$227,083 for Mr. Godfrey Smith and \$296,717 for Mr. William G. Smith, Jr. At December 31, 1995, Messrs. Barron, Briley, Davis, and William G. Smith, Jr., had 21, 17, 14, and 17 years of credited service, respectively, under the Retirement Plan. At December 31, 1995, Mr. Godfrey Smith had 58 years of service. On July 1, 1983, Mr. Godfrey Smith, being beyond the age of 65, withdrew a portion of his vested benefits in a lump sum from the Retirement Plan. On January 1, 1992, Mr. Godfrey Smith began receiving a required minimum distribution of \$5,061 per month.

Benefits are equal to the accrued benefits as of December 31, 1988, computed in accordance with a prior formula, plus a percentage of average monthly compensation for each year of service after 1988. The following table sets forth annual retirement benefits payable under the Retirement Plan to associates in the specified period-of-service and compensation

classifications, assuming the participant was born in 1955 or later, all service is after 1988, and retirement is at the age of 65.

	Estimated Annual Pension(2)			
	Highest Consecutive Five-Year Average Salary(1)	Representative Years of Service Credit (Exclusive of Social Security Benefits)		
		10 Years	20 Years	30 Years
\$ 30,000 . . . . .	\$5,928	\$ 11,856	\$ 17,784	
40,000 . . . . .	8,208	16,416	24,624	
50,000 . . . . .	10,488	20,976	31,464	
60,000 . . . . .	12,768	25,536	38,304	
70,000 . . . . .	15,048	30,096	45,144	
80,000 . . . . .	17,328	34,656	51,984	
90,000 . . . . .	19,608	39,216	58,824	
100,000 . . . . .	21,888	43,776	65,664	
125,000 . . . . .	27,588	55,176	82,764	
150,000 . . . . .	33,288	66,576	99,864	

(1) Maximum recognized for benefit purposes in 1996 and 1995 is \$150,000.

(2) Maximum permitted in 1996 and 1995 is \$120,000.

Employees with service prior to 1989 or born prior to 1955 will have different benefits from those shown above, depending upon their year of birth, years of service prior to 1989, and compensation level. No single table is possible for these employees due to the multiple variables involved.

#### Compensation Committee Interlocks and Insider Participation

During 1995, the Group Banks had outstanding loans to certain of the Company's directors, executive officers, their associates and members of the immediate families of such directors and executive officers. These loans were made in the ordinary course of business and were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. These loans do not involve more than the normal risk of collectability or present other unfavorable features.

DuBose Ausley, Chairman of the Board, is Chairman of Macfarlane Ausley Ferguson & McMullen, the Company's general counsel. During 1995, the Company and the Group Banks paid legal fees to the law firm totaling \$225,000.

Capital City Bank's Apalachee Parkway Office is located on land leased from the Smith Interests General Partnership in which several directors and officers have an interest. Lease payments during 1995 totaled approximately \$53,000.

Messrs. Cox, Humphress and Midyette are members of the Compensation Committee which administers the Award Plan.  
Stock Performance Graph

The Securities and Exchange Commission requires the Company to present a chart comparing the cumulative total shareholder return on its Common Stock over a five-year period with the cumulative shareholder return of (i) a broad equity market index and (ii) a published industry index or a peer group selected by management. The chart below compares total return of the Company's common stock over a five-year period with the Standard and Poor's 500 Index and an index based upon a group of banks selected by management. The peer group selected by management is comprised of the banks used for the 1995 executive compensation study to reinforce the link between Company performance and executive pay. The Independent Bank Index was dropped in 1995 and is not shown on this chart.

The performance graph assumes an initial investment of \$100 on December 31, 1990. This investment grows each year based on the total shareholder returns of the Company's Common Stock, the Standard & Poor's 500 Index and the market capitalization weighted returns of the selected peer group, in each case with dividends reinvested. The market for the Company's Common Stock is illiquid and there is no independent source of information, such as the National Association of Securities Dealers Automated Quotation System, which reports trades in the Common Stock. Management of the Company believes that the Company's Common Stock trades relatively infrequently based on the number of transfers of Company's Common Stock presented to the transfer agent for processing. Therefore, comparisons of the performance of the Company's Common Stock to indices comprised of actively-traded securities in liquid markets may not necessarily be meaningful.

	12/31/90	12/31/91	12/31/92	12/31/93	12/31/94	12/31/95
Capital City Bank Group, Inc.	\$100.00	\$102.97	\$105.94	\$118.81	\$141.34	\$160.19
Peer Group*	\$100.00	\$118.28	\$205.58	\$239.35	\$256.86	\$364.67
S&P 500	\$100.00	\$130.34	\$140.25	\$154.32	\$156.42	\$209.77

\*The Peer Group includes Allied Bankshares, Inc., BancTexas Group, Inc., Bank of Granite Corp., Carolina First Corp., Century South Banks, Inc., Commerce Bank, First City Bancorp, Inc., First United Bancshares, Inc., Horizon Bancorp, Inc., Jefferson Bancorp, Inc., L.S.B. Bankshares, Inc. of N.C., Leader Financial Corp., Liberty Bancorp, Inc., NBSC Corp., North Fork Bancorporation, Inc., Peoples Holding Company, Main Street Bank Group (formerly Piedmont Bank Group, Inc.), Premier Bankshares Corp., Seacoast Banking Corp. of Florida, Security Capital Bancorp, Simmons First National Corp., Sterling Bancorp New York, and WesBanco, Inc. Not all of the data is available for prior years. First United Bancshares, Inc. entered in 1992, Commerce Bank Virginia Beach entered in 1993, Peoples Holding Co. entered in 1993, Horizon Bancorp, Inc. entered in 1994, and Leader Financial Corp. entered in 1994. 1995 data have been excluded for Commerce Bank of VA, NBSC Corp., and Security Capital Bancorp because they were acquired during 1995.

STOCK OWNERSHIP OF PRINCIPAL SHAREHOLDERS

The following table sets forth certain information concerning each person known to be a beneficial owner of more than 5% of the outstanding shares of the Common Stock as of March 4, 1996.

Name and Address	Amount Beneficially Owned as of March 4, 1996	Percent of Common Stock
Godfrey Smith Post Office Box 900 Tallahassee, Florida 32302	552,314(1)	19.30%
DuBose Ausley Post Office Box 391 Tallahassee, Florida 32302	235,377(2)	8.22%
William G. Smith, Jr. Post Office Box 900 Tallahassee, Florida 32302	449,782(3)	15.71%
R. H. Smith Post Office Box 11248 Tallahassee, Florida 32302	447,433(4)	15.63%

(1) Includes 52,000 shares held by Mr. Smith's wife, to which he disclaims beneficial ownership.

(2) Includes (i) 60,892 shares held in trust under which Mr. Ausley serves as trustee and has sole voting and investment power; (ii) 10,000 shares owned by a corporation of which Mr. Ausley is Chairman and as to which Mr. Ausley controls voting and investment power; (iii) 3,010 shares held in trusts under which Mr. Ausley serves as a trustee and has shared voting and investment power; and (iv) 1,475 shares owned by Mr. Ausley's wife, to which he disclaims beneficial ownership.

(3) Includes (i) 16,588 shares in accounts for his children for which Mr. Smith is Custodian; (ii) 90,000 shares held in a trust under which Mr. Smith shares voting and investment power as a co-trustee; (iii) 111,512 shares held by a partnership under which Mr. Smith shares voting and investment power; and (iv) 6,061 shares owned by Mr. Smith's wife, to which he disclaims beneficial ownership.

(4) Includes (i) 21,248 shares in accounts for his children for which Mr. Smith is Custodian; (ii) 90,000 shares held in a trust under which Mr. Smith shares voting and investment power as a co-trustee; (iii) 111,512 shares held by a partnership under which Mr. Smith shares voting and investment power; and (iv) 8,124 shares owned by Mr. Smith's wife, to which he disclaims beneficial ownership.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE "FOR" FIXING THE NUMBER OF DIRECTORS TO BE ELECTED AT SEVEN (7) AND THE ELECTION OF THE SEVEN (7) PERSONS NAMED HEREIN AS DIRECTORS OF THE COMPANY.

PROPOSAL TWO  
APPROVAL OF CAPITAL CITY BANK GROUP, INC.'S  
1996 ASSOCIATE INCENTIVE PLAN

On February 23, 1996, the Board of Directors adopted the Capital City Bank Group, Inc. 1996 Associate Incentive Plan (the "Incentive Plan"), subject to shareholder approval at the Meeting. The full text of the Incentive Plan is attached as Exhibit A to this Proxy Statement. The following summary of the major provisions of the Incentive Plan is qualified, in its entirety, by reference to the Incentive Plan as set forth in Exhibit A. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Incentive Plan.

Purpose and Administration

Pursuant to the Incentive Plan, key employees of the Company who have been selected as participants are eligible to receive awards of various forms

of equity-based incentive compensation, including stock options, stock appreciation rights, restricted stock awards, performance units and phantom stock, and awards consisting of combinations of such incentives. The Incentive Plan is administered by a committee of the Board of Directors (the "Committee"). The Committee shall have the authority, subject to the provisions of the Incentive Plan, to establish, adopt or revise such rules and regulations and to make all such determinations relating to the Incentive Plan as it may deem necessary or advisable for the administration of the Incentive Plan. No Committee member will be eligible to participate in the Incentive Plan. Subject to the provisions of the Incentive Plan, the Committee has sole discretionary authority to interpret the Incentive Plan and to determine the type of awards to grant, when, if and to whom awards are granted, the number of shares covered by each award and the terms and conditions of the award. The term of the Incentive Plan is ten (10) years from the effective date, after which no further securities may be granted thereunder.

Options granted under the Incentive Plan may be incentive stock options ("ISOs"), within the meaning of Section 422 of the Code, or nonqualified stock options ("NQSOs"). The exercise price of the options is determined by the Committee when the options are granted, subject to a minimum price in the case of ISOs of the Fair Market Value of the Stock on the date of grant and a minimum price in the case of NQSOs of the par value of the Stock. In the discretion of the Committee, the option exercise price may be paid in cash or in shares of Stock or other property having a Fair Market Value on the date of exercise equal to the option exercise price, or by delivering to the Company a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of sale or loan proceeds sufficient to pay the exercise price.

The Incentive Plan permits the Committee to grant stock appreciation rights ("SARs"). An SAR granted as an alternative or a supplement to a related stock option will entitle its holder to be paid an amount equal to the Fair Market Value of the Stock subject to the SAR on the Appreciation Date, less the exercise price of the related stock option, if any, or such other price as the Committee may determine at the time of the grant of the SAR (which may not be less than the Fair Market Value of one (1) share of Stock on the Date of Grant). Shares of Stock covered by a restricted stock award will be issued to the recipient at the time the award is granted, but will be subject to forfeiture in the event continued employment and/or other restrictions and conditions established by the Committee at the time the award is granted are not satisfied. A performance share or phantom stock award will provide for the future payment of cash or the issuance of shares of Stock to the recipient if continued employment or other performance objectives established by the Committee at the time of grant are attained. Restricted stock awards and performance share awards may, in the discretion of the Committee, be settled in cash, on each date on which shares of Stock covered by the awards would otherwise have been delivered or become unrestricted, in an amount equal to the Fair Market Value of such shares on such date. The Company has limited the aggregate number of shares of Stock to be awarded under the Incentive Plan to 250,000.

The Incentive Plan also provides that in the event of a Change in Control, any ISOs, NQSOs or SARs granted to a Participant shall become immediately exercisable with respect to 100 percent of the shares subject to such Options or SARs. Moreover, as to any Phantom Stock Units or other Restricted Stock awarded under the Incentive Plan, the Restricted Period shall expire immediately with respect to 100 percent of the Phantom Stock Units or shares of Restricted Stock subject to Restrictions. The exercise of ISOs following a Change in Control will be subject to a \$100,000 limitation on the exercise of ISOs under the Incentive Plan or any other Plan of the Company or the Group Banks in any one year. In adopting the Incentive Plan, the Board of Directors has determined that the individual and/or aggregate ownership of the Smith family in such stock of the Company shall not cause a Change in Control under the Incentive Plan.

#### Federal Income Tax Consequences

The following discussion summarizes the material federal income tax consequences of participation in the Incentive Plan. This discussion is general in nature and does not address issues related to the tax circumstances of any particular employee. The discussion is based on federal income tax laws in effect on the date hereof and is, therefore, subject to possible future changes in law. This discussion does not address state, local or foreign consequences.

The following does not purport to be a complete description of the federal income tax aspects of the ISOs, NQSOs, SARs, performance shares, restricted stock or phantom stock units granted under the Incentive Plan, and each participant in the Incentive Plan should consult his or her own tax advisor. The Incentive Plan is not a qualified plan within the meaning of Section 401(a) of the Code.

**Incentive Stock Options.** Under Section 422 of the Code, an employee of the Company or any of the Group Banks will not recognize any taxable income at the time of the grant of an ISO under the Incentive Plan. Similarly, participants will not recognize any taxable income on the exercise of an ISO

granted under the Incentive Plan if the Option Price is paid in cash or Stock of the same class (common or preferred) as that being purchased. If the Committee authorizes, and a participant elects, to pay the Option Price with appreciated property other than Stock, the participant would recognize taxable income to the extent the Fair Market Value of such property exceeds the participant's basis in such appreciated property. The amount by which the Fair Market Value of Stock acquired upon exercise of an ISO exceeds the Option Price will constitute an item of adjustment for purposes of computing alternative minimum taxable income.

The tax treatment of the disposition of Stock acquired by exercise of an ISO depends upon whether the participant disposes of such Stock within the statutory holding period for ISO stock. The holding period for ISO stock is the later of two (2) years from the date of the grant of the ISO or one (1) year from the exercise of such option. If a participant disposes of ISO stock after the close of the statutory holding period, he or she will recognize capital gain income equal to the difference between the amount received on such disposition and his or her basis in the transferred Stock.

A participant's basis in Stock acquired by exercise of an ISO is generally equal to the Option Price. If, however, the participant paid for ISO stock with Stock which the participant already owned, the number of shares of Stock received in the exercise of an ISO equal to the number of shares of Stock used to pay the Option Price will have a basis equal to the participant's basis in the Stock used to pay the Option Price. The remaining shares of Stock received by the participant will have a basis equal to the sum of the gain, if any, recognized on the exercise of an ISO and the cash paid on the exercise.

If a participant disposes of Stock acquired by exercise of an ISO within the statutory holding period, a so-called "Disqualifying Disposition," the participant will recognize ordinary income equal to the difference between the option price and the Fair Market Value of the Stock as of the date an ISO was exercised. Ordinary income recognized on a Disqualifying Disposition is added to a participant's basis in the Stock and amounts realized on the disposition in excess of such sum will be recognized as capital gain income.

The Company will be entitled to a deduction for compensation with respect to an ISO only if and when a participant recognizes ordinary income from a Disqualifying Disposition.

**Nonqualified Stock Options.** The grant of an NQSO will have no immediate tax consequences to the Company or the participant. Stock received on the exercise of an NQSO which is either transferable or not subject to a substantial risk of forfeiture will cause the participant to recognize ordinary income at the time of exercise equal to the excess, if any, of the Fair Market Value of the Stock at the time of exercise (determined without regard to any restriction other than a restriction that by its terms will never lapse) over the exercise price for such Stock. The holding period of Stock received on the exercise of a NQSO will commence as of the date of exercise. Except as provided below, it is not contemplated that the Company will issue or deliver Stock that is nontransferable or subject to a substantial risk of forfeiture.

Where ordinary income is recognized by a participant in connection with Stock received on the exercise of an NQSO the Company will be entitled to a deduction in an amount equal to the ordinary income recognized by the participant. The Company's deduction may be limited or entirely disallowed if the participant's total compensation received from the Company, including any ordinary income recognized in connection with the exercise of NQSOs, exceeds \$1,000,000 in the year such options are exercised. The Company will be entitled to the deduction in the taxable year that includes the last day of the participant's taxable year in which he or she recognizes such income. The Company is entitled to the deduction only if and to the extent the Company withholds tax from the participant's award corresponding to the ordinary income recognized by the participant upon exercise of an NQSO. The Committee may permit a participant to elect to have a portion of the Stock deliverable upon exercise of an option withheld to provide for payment of such withholding tax. Otherwise, withholding taxes will be payable in cash at the time of exercise.

If a sale of Stock received on the exercise of an NQSO could subject a participant to liability under Section 16(b) of the 1934 Act, such participant's rights in the Stock are treated as subject to a substantial risk of forfeiture and as nontransferable for the period of time during which the sale of such Stock at a profit would subject the participant to suit under Section 16(b) of the 1934 Act. Since the grant and award of options under the Incentive Plan are made under a Rule 16b-3 plan, the participant would be subject to potential liability under Section 16(b) of the 1934 Act if the Stock awarded upon exercise of the option were sold within six (6) months of the Date of Grant. The Date of Grant is considered the purchase of securities for purposes of Section 16(b) of the 1934 Act, if a participant sells the Stock received upon exercise within six (6) months of the Date of Grant. If the exercise date of an NQSO is more than six (6) months after the Date of Grant of the NQSO was originally granted, then the participant would immediately recognize ordinary income equal to the difference between the Fair

Market Value of the Stock on the exercise date and the exercise price. If the exercise date of an NQSO is within six (6) months of the Date of Grant of the NQSO, then the participant would recognize ordinary income on the six (6) month anniversary of such Date of Grant in an amount equal to the difference between the exercise price and the Fair Market Value of the option stock on the six (6) month Date of Grant anniversary. Participants may, however, elect to recognize income immediately upon exercise of an NQSO without regard to the six (6) month Section 16(b) period, by filing an appropriate election with the Internal Revenue Service within thirty (30) days following exercise of the NQSO. If a participant elects to recognize income without regard to the Section 16(b) period, his or her ordinary income would be an amount equal to the excess of the Fair Market Value of the Stock on the exercise date over the exercise price.

A participant's basis in Stock acquired by exercise of an NQSO is generally equal to the Option Price. If, however, the Participant paid the Option Price with Stock which the participant already owned, a number of shares of Stock received in the exercise of the NQSO equal to the number of shares of Stock used to pay the Option Price will have a basis equal to the Participant's basis in the Stock used to pay the Option Price. The remaining shares of Stock received by the participant will have a basis equal to the sum of the gain, if any, recognized on the exercise of the NQSO and the cash paid on the exercise.

**Stock Appreciation Rights.** An SAR is a contractual right which entitles a participant to an amount equal to the excess, if any, of the Fair Market Value of one share of Stock on the Appreciation Date over the Option Price, in the case of an SAR granted in connection with an option, or the Fair Market Value of one share of Stock on the Date of Grant, in the case of an SAR granted independent of an option. The Company may pay such excess in cash, in shares of Stock valued at Fair Market Value, or any combination thereof. Fractional shares will be paid in cash. SARs may become exercisable in accordance with a vesting schedule as determined by the Committee.

The grant of an SAR will have no immediate tax consequences to the participant or the Company. If cash is given upon exercise of an SAR, the award will be treated as additional compensation income to the participant upon receipt. If the Company issues Stock upon the exercise of an SAR and such Stock is either transferable or not subject to a substantial risk of forfeiture, the participant will recognize compensation income upon receipt equal to the Fair Market Value of the Stock. It is not contemplated that the Company will, upon the exercise of an SAR, issue or deliver Stock that is nontransferable or subject to a substantial risk of forfeiture.

Where ordinary income is recognized by a participant in connection with the exercise of an SAR, the Company will be entitled to a deduction in an amount equal to the ordinary income recognized by the participant. The Company's deduction may be limited or entirely disallowed if the participant's total compensation received from the Company, including any ordinary income recognized in connection with the exercise of SARs, exceeds \$1,000,000 in the year such SARs are exercised. The Company will be entitled to the deduction in the taxable year that includes the last day of the participant's taxable year in which he or she recognizes income from the exercise of an SAR. The Company is entitled to the deduction only if and to the extent the Company withholds tax from the participant's award corresponding to the ordinary income recognized by the participant upon exercise of an SAR. If the Company issues Stock upon the exercise of an SAR, the Committee may permit a participant to elect to have a portion of the Stock deliverable upon exercise of an option withheld to provide for payment of such withholding tax. Otherwise, withholding taxes will be payable in cash at the time of exercise.

The holding period for determining whether capital gain or loss on the subsequent sale or exchange of the Stock awarded upon exercise of an SAR is long-term or short-term capital gain or loss will commence at the date of exercise.

**Performance Shares.** Performance shares ("Performance Shares") may be awarded to participants based upon the degree to which certain objective performance goals, as established by the Committee, are attained. The amount earned with respect to an award of Performance Shares will usually be payable in Stock based upon the Fair Market Value of such stock on the valuation date. The Committee may, however, vary the composition of a Performance Share award at its discretion.

If a Performance Share award is paid in cash, the award will be treated as additional compensation income to the participant upon receipt. If the Company issues Stock in payment of a Performance Share award and such Stock is either transferable or not subject to a substantial risk of forfeiture, the participant will recognize compensation income upon receipt of the Stock equal to the Fair Market Value of the Stock. It is not contemplated that the Company will, upon payment of a Performance Share award, issue Stock that is nontransferable or subject to a substantial risk of forfeiture.

The Company will be entitled to a deduction in an amount equal to the Performance Share award in the taxable year that includes the last day of the

participant's taxable year in which he or she recognizes income from the receipt of a Performance Share award. The Company's deduction may be limited or entirely disallowed if the participant's total compensation received from the Company, including any ordinary income recognized in connection with the receipt of a Performance Share award, exceeds \$1,000,000 in the year such Performance Shares are awarded. The Company is entitled to the deduction only if and to the extent the Company withholds tax from the participant's Performance Share award corresponding to the ordinary income recognized by the participant upon receipt of the award. If the Company issues Stock in payment of a Performance Share award, the Committee may permit a participant to elect to have a portion of the Stock withheld to provide for payment of such withholding tax. Otherwise, withholding taxes will be payable in cash at the time the Performance Shares are awarded.

The holding period for determining whether capital gain or loss on the subsequent sale or exchange of Stock received as a Performance Share award is long-term or short-term capital gain or loss will commence at the date of issue.

**Restricted Stock Awards.** The Company may grant participants awards of restricted stock ("Restricted Stock") and establish the periods of restriction applicable thereto. Restricted Stock will be nontransferable and subject to forfeiture upon termination of employment for any reason prior to the date such awards become vested in accordance with their terms. Participants will be entitled to dividends payable with respect to Restricted Stock, even during the restricted period, without risk of forfeiture although the Company may withhold payment of the dividends until the expiration of the Restricted Period. Any dividends on Restricted Stock so withheld may accrue interest at a rate and subject to such terms as determined by the Committee. The purchase price of Restricted Stock will be an amount equal to the aggregate par value of such shares and will be payable within sixty (60) days following the making of the award.

Participants will recognize compensation income equal to dividends payable with respect to Restricted Stock during the restricted period. Dividends payable with respect to Restricted Stock following expiration of the Restricted Period shall be recognized as ordinary dividend income. Participants will recognize compensation income in an amount equal to the excess of the Fair Market Value of Restricted Stock awarded to a participant over the amount paid, if any, for such shares as and when the Restricted Stock becomes either freely transferable or free of any risk of forfeiture.

The Company will be entitled to a deduction in an amount equal to the amount recognized as compensation income by a participant in the taxable year that includes the last day of the participant's taxable year in which he or she recognizes income from the receipt of the receipt of Restricted Stock. The Company's deduction may be limited or entirely disallowed if the participant's total compensation received from the Company, including compensation income recognized in connection with the receipt of Restricted Stock, exceeds \$1,000,000 in the year such Restricted Stock is included in a participant income. The Company is entitled to the deduction only if and to the extent the Company withholds tax from the participant's award corresponding to the compensation income recognized by the participant. The Committee may permit a participant to elect to have a portion of the Restricted Stock withheld to provide for payment of such withholding tax. Otherwise, withholding taxes will be payable in cash at the time the Restricted Stock is included in a participant's income.

**Phantom Stock Units.** The Company may issue participants phantom stock unit awards ("Phantom Stock Unit Awards") upon terms and conditions established by the Committee from time to time. A phantom stock unit ("Phantom Stock Unit") entitles the holder of such a unit to a hypothetical equivalent of one share of Stock granted in connection with an Incentive Plan award or deferred Performance Share award. Phantom Stock Unit Awards will be nontransferable and subject to forfeiture if employment is terminated for any reason before such awards become vested in accordance with their terms. The Committee, in its sole discretion, shall determine whether dividends payable with respect to Phantom Stock Units during the restricted period will be withheld by the Company and subject to forfeiture in accordance with the vesting schedule generally applicable to Phantom Stock Units. Upon expiration of the Restricted Period with respect to any Phantom Stock Units covered by a Phantom Stock Unit Award, the Company shall deliver to the participant or his beneficiary, without charge, one share of Stock for each Phantom Stock Unit which has not then been forfeited and cash equal to any dividend equivalents credited with respect to such vested unit and interest, if any, thereon.

The award of a Phantom Stock Unit, and the crediting of forfeitable dividend equivalents and interest thereon, will have no immediate tax consequences to the participant or the Company. The delivery of Stock, dividend equivalents and interest thereon with respect to fully vested Phantom Stock Units will generate taxable compensation income to a participant in an amount equal to the Fair Market Value of the Stock, if the stock is either freely transferable or not subject to a risk of forfeiture, and the cash, if any, awarded to the participant. It is not contemplated that the Company will issue or deliver stock that is nontransferable or subject to a substantial risk of forfeiture.

The Company will be entitled to a deduction in an amount equal to the amount recognized as compensation income by a participant in the taxable year that includes the last day of the participant's taxable year in which he or she recognizes income from the receipt of Stock and cash for fully vested Phantom Stock Units. The Company's deduction may be limited or entirely disallowed if the participant's total compensation received from the Company, including income recognized in connection with the Phantom Stock Unit Award, exceeds \$1,000,000 in the year such award is included in a participant's income. The Company is entitled to the deduction only if and to the extent the Company withholds tax from the participant's award corresponding to the ordinary income recognized by the participant. The Committee may permit a participant to elect to have a portion of the Stock withheld to provide for payment of such withholding tax. Otherwise, withholding taxes will be payable in cash at the time the award is included in a participant's income.

The following table provides certain information with respect to all the options or other awards granted pursuant to the Incentive Plan specifying the amount awarded:

NEW PLAN BENEFITS	
1996 Associate Incentive Plan	
Group	Number of Shares
William G. Smith, Jr.	2,794(1)
Thomas A. Barron	2,778(2)
J. Kimbrough Davis	1,262(3)
Randolph K. Briley	538(4)
Executive Officer Group (5)	8,312(5)
Non-Executive Officer Employee Group (17)	11,065(6)

- (1) Consists of (i) 2,119 shares potentially issuable pursuant to long-term performance awards originally made under the Award Plan which were canceled and reissued under the Incentive Plan, subject to its approval by Company shareholders; and (ii) 675 shares potentially issuable pursuant to short-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders.
- (2) Consists of (i) 2,112 shares potentially issuable pursuant to long-term performance awards originally made under the Award Plan which were canceled and reissued under the Incentive Plan, subject to its approval by Company shareholders; and (ii) 666 shares potentially issuable pursuant to short-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders.
- (3) Consists of (i) 944 shares potentially issuable pursuant to long-term performance awards originally made under the Award Plan which were canceled and reissued under the Incentive Plan, subject to its approval by Company shareholders; and (ii) 318 shares potentially issuable pursuant to short-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders.
- (4) Consists of (i) 359 shares potentially issuable pursuant to long-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders; and (ii) 179 shares potentially issuable pursuant to short-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders.
- (5) Consists of (i) 5,865 shares potentially issuable pursuant to long-term performance awards originally made under the Award Plan which were canceled and reissued under the Incentive Plan, subject to its approval by Company shareholders; (ii) 2,088 shares potentially issuable pursuant to short-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders; and (iii) 359 shares potentially issuable pursuant to long-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders.
- (6) Consists of (i) 4,719 shares potentially issuable pursuant to long-term performance awards originally made under the Award Plan which were canceled and reissued under the Incentive Plan, subject to its approval by Company shareholders; (ii) 3,145 shares potentially issuable pursuant to short-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders; and (iii) 3,201 shares potentially issuable pursuant to long-term performance awards made under the Incentive Plan, subject to its approval by Company shareholders.

The Incentive Plan must be approved by a majority of the votes represented in person or by written proxy and voted at the Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE



"FOR" THE ADOPTION OF THE COMPANY'S 1996 ASSOCIATE INCENTIVE PLAN AS SET FORTH IN EXHIBIT A ATTACHED HERETO.

PROPOSAL THREE  
AMENDMENTS TO THE ARTICLES OF INCORPORATION

General

The Board of Directors of the Company has proposed and approved a number of amendments to the Company's Articles of Incorporation (the "Proposed Amendments") and has directed that they be submitted to a vote at the Meeting. The Proposed Amendments are to some extent interrelated, and the purpose of many of these amendments is to prevent the circumvention of the desired protection afforded by other amendments. Thus, management believes it appropriate to present these Proposed Amendments as one related group that the shareholders must vote for or against as a single proposal. The Proposed Amendments are incorporated into the Proposed Amended and Restated Articles of Incorporation (the "Proposed Articles"), attached to this Proxy Statement as Exhibit B. Set forth below is a discussion of the Proposed Amendments deemed to be material by the Board of Directors. This discussion is qualified, in its entirety, by reference to the Proposed Articles as set forth in Exhibit B.

Vote Required

Because the Board of Directors has decided to submit all the Proposed Amendments to the shareholders as a single proposal, including certain amendments described herein which will increase the shareholder vote necessary to take or approve of certain actions, and because the FBCA requires that any amendments which increase the voting requirement for a particular shareholder action be approved by such higher voting requirement, the affirmative vote of at least two-thirds (66 %) of all the issued and outstanding voting stock of the Company shall be required for shareholder approval of the Proposed Articles. The Proposed Articles will become effective upon the filing by the Company of Articles of Amendment and Restatement with the Florida Department of State.

Purpose and Effect of the Proposed Amendments

The purpose and intended effect of the Proposed Amendments are to increase the Company's ability to issue capital stock, to enhance the continuity and stability of the Company's management and to protect shareholders by encouraging third parties that are interested in acquiring the Company to first approach the Board of Directors with their intentions. The Board believes that the Proposed Amendments will provide management with increased flexibility and time with which to adequately respond to such overtures and to defend shareholder interests. Although at the present time the Board of Directors knows of no such overtures to acquire the Company, management believes it is appropriate at this time to propose provisions which could lessen the possibility of an attempt by a potential acquiror to circumvent the Board of Directors to the detriment of shareholders.

At present, the Company's Articles of Incorporation and Bylaws do not contain any provisions which could serve to protect shareholders and the Company from unwanted attempts to take control of the Company from the Board of Directors or from the shareholders. Certain provisions of the FBCA which are currently applicable to the Company and which would remain applicable after adoption of the Proposed Amendments do serve to protect shareholders in the event that such overtures are made. See "SHAREHOLDER PROTECTION PROVISIONS UNDER FLORIDA LAW APPLICABLE TO THE COMPANY." The Board of Directors has no present intention to put before the shareholders, other than the Proposed Amendments, any other proposals which would impact an attempt by a third party to obtain control of the Company.

Description of Amendments

The Proposed Amendments being submitted to the shareholders consists of the following nine amendments to the Company's Articles of Incorporation: (a) to establish a classified or staggered Board of Directors beginning with the 1997 Annual Meeting of Shareholders; (b) to provide that members of the Board of Directors may be removed, other than in connection with the annual election of directors, only for cause and then only by affirmative vote of at least two-thirds (66 %) of the outstanding shares of Common Stock; (c) to increase the number of authorized shares of Common Stock to 30,000,000 and to authorize 3,000,000 shares of preferred stock, \$.01 par value (the "Preferred Stock"), which would have rights and preferences to be determined by the Board of Directors; (d) to provide that the shareholders of the Company may act only at a duly and validly called meeting and not by written consent; (e) to provide that only (i) a majority of the total number of authorized directors on the Board of Directors (calculated without regard to any vacant positions) or (ii) the holders of not less than fifty percent (50%) of all the votes entitled to be cast on any issue at a special meeting of shareholders, may call such a special meeting; (f) to amend the procedures that shareholders must follow in order to nominate directors; (g) to provide that the affirmative vote of at least two-thirds (66 %) of the outstanding shares of the Company's Common Stock, or a majority of such shares if a majority of the

Disinterested Directors (as defined herein) also approve, is required to amend or to repeal any of the provisions described in this paragraph or to adopt any provision inconsistent therewith; (h) to specify factors to be considered by the Board of Directors in evaluating acquisition offers; and (i) to establish obligatory indemnification by the Company of its officers and directors.

Shareholders are urged to read carefully the following sections of this Proxy Statement, which describe the Proposed Amendments and their purpose and effect, and the Proposed Articles, attached hereto as Exhibit B, which set forth the full text of the Proposed Amendments, before voting on this proposal.

THE BOARD OF DIRECTORS BELIEVES THAT THE PROPOSED AMENDMENTS ARE IN THE BEST INTEREST OF THE COMPANY AND ITS SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL OF THE PROPOSED ARTICLES.

THE AFFIRMATIVE VOTE OF AT LEAST TWO-THIRDS (66 %) OF ALL THE ISSUED AND OUTSTANDING VOTING STOCK OF THE COMPANY SHALL BE REQUIRED FOR THE APPROVAL OF THE PROPOSED ARTICLES.

#### AMENDMENT TO ESTABLISH A CLASSIFIED BOARD OF DIRECTORS

##### General

At present, Article II of the Company's Bylaws provides that all Directors shall be elected at the Annual Meeting of Shareholders to hold office until the next Annual Meeting and until their respective successors are duly elected and qualified. Article II of the Bylaws also provides that the Board of Directors shall consist of not less than five (5) members and not more than twenty-five (25) members. Article VI, paragraph A of the Proposed Articles provides that, beginning with the directors to be elected at the 1997 Annual Meeting of Shareholders, the Board of Directors will be divided into three classes with staggered terms, designated as Class I, Class II and Class III. Each class will consist, as nearly as may be possible, of one-third (33 %) of the number of members of the Board of Directors, which is currently set at seven (7) and which, upon the approval by the shareholders of Proposal One, will remain at seven (7). See "ELECTION OF DIRECTORS." Class I directors will hold office until the 1998 Annual Meeting of Shareholders, Class II directors will hold office until the 1999 Annual Meeting of Shareholders, and Class III directors will hold office until the 2000 Annual Meeting of Shareholders. Beginning with the 1998 Annual Meeting of Shareholders, one class of directors will be elected for a three (3) year term at each annual meeting, with the remaining classes continuing in office. Article VI of the Proposed Articles would also provide that the number of directors on the Board of Directors shall not be greater than twenty-five (25) nor less than one (1). Vacancies which occur from time to time may be filled by the Board of Directors, and any such director appointed to fill a vacancy shall serve until the expiration of the term of the other directors in such appointee's class.

Although there have been no problems in the past with respect to continuity or stability of the Board of Directors, classification of the Board, which prevents more than approximately one-third of the Board of Directors from being replaced at any annual meeting, will help assure the continuity and stability of the Company's management and policies since a majority of the directors will in any given year have prior experience as directors of the Company.

##### Reasons for and Effects of the Proposed Amendment

Although neither the Board of Directors nor the management of the Company is aware of any actual or threatened change in the direction or control of the Company proposed by a third party, the purpose of the Proposed Amendment is to protect shareholders from the possibility of a sudden change in the direction of the Company not supported by management or the Board of Directors, including an actual or threatened change in control. The Proposed Amendment would make it more time-consuming to effect a change in the majority control of the Board of Directors and thus would reduce the vulnerability of the Company to an unsolicited proposal for the acquisition of the Company that does not contemplate the acquisition of all of the Company's outstanding shares at a fair price, or an unsolicited proposal for the restructuring or sale of all or part of the Company. A classified Board of Directors upon which directors serve three (3) year terms requires at least two annual shareholder meetings in order to effect a change in the control of the Board. Currently, a change in control of the Board of Directors could be effected in one annual shareholder meeting.

Often, third parties accumulate stock in public companies with a view toward using a control block of stock to force a restructuring, merger or consolidation or forcing a corporation to repurchase a control block of stock at a premium. Such actions are often taken without advance notice to or consultation with the board of directors or management of the corporation. In many cases, such third parties seek representation on the corporation's board of directors in order to increase the likelihood that their proposals will be implemented by the corporation. If the corporation resists such efforts to

obtain representation on the corporation's board, such parties may commence proxy contests to have themselves or their nominees elected to the board of directors in place of certain directors or the entire board. In some cases, the third party may not be interested in taking over the corporation, but uses the threat of a proxy fight or acquisition bid as a means of forcing the corporation to repurchase its holdings at a substantial premium over market price, possibly to the detriment of other shareholders.

The Board of Directors of the Company believes that the threat of removal of the Company's directors in such situations would curtail the Board of Directors' ability to negotiate effectively with such persons. Management would be deprived of the time and information necessary to evaluate the particular proposal, to study alternative proposals and to help ensure that the best price is obtained for all shareholders in any transaction involving the Company that may ultimately be undertaken. By stabilizing the composition of the Board of Directors, this Proposed Amendment is designed to encourage any person who might seek to acquire control of the Company to consult first with the Company's Board of Directors and to negotiate the terms of any proposed business combination or tender offer.

Acquisition overtures or changes in the Directors of the Company that are proposed and effected without prior consultation and negotiation with the Company's Board of Directors may not necessarily be detrimental to the Company and its shareholders, and the adoption of this Proposed Amendment could discourage or frustrate future attempts to acquire control of the Company or shares of its stock that are not approved by the incumbent Board of Directors, but which a majority of shareholders might deem to be in their best interests. This Proposed Amendment, if adopted, could also delay or frustrate the assumption of control by a holder of a large block of shares of the Company's Common Stock or the removal of incumbent directors, even if a majority of the shareholders considered such events to be beneficial.

Another effect of establishing a classified board is that it would be more difficult for shareholders to change the composition of the Company's Board of Directors, even when the only reason for such a change might be the performance of the incumbent directors. This occurs because the staggered board provision affects every election of directors and is not triggered by the occurrence of a particular event, such as an unsolicited acquisition overture by a third party. However, the Board of Directors believes that the benefits of seeking to protect its ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging such proposals or the limitations on changing the members of the Board of Directors.

AMENDMENT TO PROVIDE THAT DIRECTORS MAY BE REMOVED  
ONLY FOR CAUSE AND ONLY BY A 66 % VOTE OF ALL VOTING STOCK

General

The Board of Directors recommends that the Company's Articles of Incorporation be amended and restated to add Article VI, paragraph C of the Proposed Articles, which provides that directors of the Company may be removed from office by the shareholders only for cause and that such action may be taken only by the affirmative vote of at least two-thirds (66 2/3%) of the then-outstanding shares of stock entitled to vote generally in the election of directors. "Cause" is defined under this Proposed Amendment as (i) a breach of fiduciary duty involving personal dishonesty; (ii) an intentional failure to perform stated duties as a director which result in substantial loss to the Company; or (iii) a willful violation of any rule, regulation or a final cease and desist order which results in substantial loss to the Company.

The Articles of Incorporation and the Bylaws of the Company currently do not have a provision for the removal of directors. The FBCA provides that shareholders may remove directors with or without cause, unless the Articles of Incorporation provide that directors may be removed only with cause. Under the FBCA, a director may only be removed by the shareholders at a meeting thereof, provided that the notice of the meeting states that the purpose of or one of the purposes of the meeting is the removal of the director.

Reasons for and Effects of the Proposed Amendment

This Proposed Amendment, in conjunction with the Proposed Amendment to establish a classified Board of Directors, may impede an attempt to acquire control of the Company without the approval of the Company's management and may discourage such actions altogether. This Proposed Amendment will protect shareholders who hold in the aggregate greater than one-third (33 %) of the Company's voting stock by giving them a veto power over the removal of directors if such shareholders believe that a director's removal is improper or detrimental to their interests. This Proposed Amendment will also make it difficult for someone who acquires voting control of the Company immediately to remove, without cause, the incumbent directors who may oppose such person and to replace them with directors of such shareholder's choosing, and, under a classified Board of Directors, will instead require such a person to replace incumbent directors as their terms expire over a period of up to three years. See "AMENDMENTS TO THE ARTICLES OF INCORPORATION--Amendment to Establish a Classified Board of Directors." Shareholders should recognize that this

Proposed Amendment will also make the removal of a director more difficult in circumstances which do not constitute an unwarranted acquisition overture and where, in the opinion of the holders of a majority (but less than 66 %) of the Company's outstanding shares, cause for such removal or an ultimate change in existing management may exist.

AMENDMENT TO INCREASE THE AUTHORIZED SHARES OF  
THE COMPANY'S CAPITAL STOCK

Common Stock

The Board of Directors recommends that the Company's Articles of Incorporation be amended and restated to add Article III of the Proposed Articles, which would increase the amount of Common Stock authorized to 30,000,000 shares. The Common Stock authorized under this Proposed Amendment would be identical to the Common Stock already authorized pursuant to the Company's Articles of Incorporation. Under the FBCA, such shares may only be authorized by an amendment to the Articles of Incorporation. Although the shareholders must approve increases to the number of shares of capital stock authorized, shares may be issued by the Board of Directors in exchange for adequate consideration therefor without the approval of the shareholders of the Company.

The primary reason for this Proposed Amendment is that the Company has relatively few remaining shares of authorized but unissued Common Stock. At present, Article III of the Company's current Articles of Incorporation, as amended to the date hereof, allows the Company to have 4,000,000 shares of Common Stock authorized. As of the Record Date, 2,862,284 shares of the Company, or approximately 71.56% of the total authorized amount, were issued and outstanding to approximately 933 holders of record. As of the Record Date, 450,000 shares, or approximately 11.25% of the total authorized amount, were reserved for issuance under the Company's benefit and purchase plans, including the Incentive Plan and the Director Plan.

It is the present intention of the Board of Directors that the adoption of this Proposed Amendment to increase the amount of authorized Common Stock will not result in the immediate issuance of any additional Common Stock shares. This increase, however, is intended to insure that there will be sufficient authorized but unissued shares available for the corporate purposes described below. Approval of this proposal will permit the Board to issue such additional shares without further approval of the shareholders unless otherwise required by law or the Company's Articles of Incorporation.

Preferred Stock

The Board of Directors also recommends that the Company's Articles of Incorporation be amended and restated, in the same provision of the Proposed Articles described above, to authorize 3,000,000 shares of Preferred Stock, whose relative rights, preferences and limitations shall be determined by the Board of Directors as it deems appropriate from time to time without further shareholder approval.

Under the FBCA, the Company is, if authorized by the Articles of Incorporation, permitted to issue preferred stock in series and with rights, preferences and limitations as established from time to time by the Board of Directors. At present, the Company's Articles of Incorporation do not permit the Company to issue a preferred class of stock and no preferred stock has been authorized or issued by the Company.

It is the present intention of the Board of Directors that the adoption of this Proposed Amendment to authorize Preferred Stock will not result in the immediate issuance of any Preferred Stock shares. The authorization of this new class of stock, however, is intended to insure that there will be sufficient authorized but unissued shares available for the corporate purposes described below. Approval of this proposal will permit the Board to issue such additional shares without further approval of the shareholders unless otherwise required by law or the Company's Articles of Incorporation.

Reasons for and Effects of the Proposed Amendment

The Board of Directors believes that additional shares of Common Stock and Preferred Stock should be available for issuance by the Board of Directors from time to time for stock splits, stock dividends, acquisitions, future financings, employee benefit plans and for other proper corporate purposes. The increase in the authorized shares could also be used to impede an attempt to acquire control of the Company without the consent of the Board of Directors since new shares could be issued to dilute the stock ownership of a person engaging in such an attempt.

Under the Company's present Articles of Incorporation, shareholders have no preemptive rights with respect to the authorization or issuance of the Company's capital stock. No holder of the Company's capital stock has or will have the right of cumulative voting at any election of directors or upon any other matter.

Once authorized, shares of Common Stock and Preferred Stock generally may be

issued solely upon the action of the Board of Directors in exchange for adequate consideration therefor. The additional shares of Common Stock, when issued, will have the same rights as the presently authorized shares of Common Stock. Neither this nor any of the other Proposed Amendments will modify the Articles of Incorporation to provide preemptive rights or cumulative voting.

If this Proposed Amendment is approved, the Preferred Stock could be issued by the Board, from time to time, without the necessity of further action or authorization by the Company's shareholders (unless required by applicable law), in one or more series and with such voting powers, designations, preferences and relative, participating, optional or other special rights and qualifications as the Board may, in its discretion, determine, including, but not limited to (a) the distinctive designation of such series and the number of shares to constitute such series; (b) the dividends, if any, for such series; (c) the voting power, if any, of shares of such series; (d) the right, if any, of the Company to redeem shares of such series and the terms and conditions of such redemption; (e) the retirement or sinking fund provisions, if any, of shares of such series, and the terms and provisions relative to the operation thereof; (f) the terms and conditions, if any, upon which shares of such series may be converted into, or exchanged for, shares of stock of any other class or any other series of the same class or any other securities or assets; (g) the amount, if any, which the holders of the shares of such series shall be entitled to receive in case of a liquidation, dissolution or winding up of the Company; (h) the limitations and restrictions, if any, upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisitions by the Company of, the share of any class of stock of the Company; and (i) the conditions or restrictions, if any, upon the creation of indebtedness or upon the issuance of any additional stock by the Company. This proposal to create Preferred Stock would permit the terms of voting power, liquidation, conversion and the mechanics of a redemption to be set forth in a separate resolution or certificate adopted by the Board of Directors, and thus assuring additional flexibility.

The actual effect of the authorization of the Preferred Stock upon the rights of holders of Common Stock cannot be stated until the Board of Directors determines the respective rights of the holders of one or more series of the Preferred Stock. Such effects, however, might include: (a) restrictions on dividends on Common Stock if dividends on the Preferred Stock are in arrears; (b) dilution of the voting power of the Common Stock; and (c) the holders of Common Stock not being entitled to share in the Company's assets upon liquidation until satisfaction of any liquidation preference granted to the Preferred Stock.

The additional flexibility afforded by the ability to issue the Common and Preferred Stock could enhance the arm's-length bargaining capability of the Board of Directors on behalf of the Company's shareholders in a situation involving a solicitation to obtain control of the Company without the approval of the Board of Directors. In such an event, it might be possible for the Board of Directors to authorize the issuance of a series of the Preferred Stock with rights and preferences which could impede the completion of such a transaction. The Board of Directors would be able to authorize holders of the Preferred Stock to vote, either separately as a class or with the holders of Common Stock, on any merger, sale or exchange of assets by the Company or other extraordinary corporate transactions. Since the issuance of the Preferred Stock could be used to dilute the stock ownership of a person or entity seeking to obtain control of the Company, shares of the Preferred Stock could be privately placed with purchasers who might ally themselves with the Board of Directors to oppose such a bid. The additional shares of Common Stock proposed to be authorized might also be issued to a holder who would vote against a proposed merger or sale of assets or other corporate transaction and therefore might be available to impede or discourage an acquisition of the Company without the consent of the Board of Directors. However, such an issuance would also have the effect of diluting the stock ownership of all shareholders, who, at the time of such issuance, own stock of the same class whether such shareholders were in favor of or against such transaction.

AMENDMENT TO REQUIRE THAT ALL SHAREHOLDER ACTIONS BE  
TAKEN AT A SHAREHOLDER MEETING AND NOT BY WRITTEN CONSENT

#### General

The Board of Directors recommends that the Company's Articles of Incorporation be amended and restated to add Article V, Paragraph B of the Proposed Articles, which provides that actions required or permitted to be taken by the shareholders may be taken only upon the vote of the shareholders at an annual or special meeting duly and properly called and noticed and may not be taken by written consent of the shareholders.

Under the FBCA, unless otherwise provided in the Articles of Incorporation, any action required or permitted to be taken by shareholders of the Company may be taken without a meeting, without prior notice and without a shareholder vote if a written consent setting forth the action to be taken is signed by the holders of shares of outstanding stock having the requisite number of votes that would be necessary to authorize such action at a meeting of shareholders at which all shares entitled to vote thereon were present and voted. The Company's Articles of Incorporation currently contain no provision restricting or

regulating shareholder action by written consent.

#### Reasons for and Effects of the Proposed Amendment

The adoption of this Proposed Amendment would eliminate the ability of the Company's shareholders to act by written consent in lieu of a meeting. It is intended to prevent solicitation of consents by shareholders seeking to effect changes without giving all of the Company's shareholders entitled to vote on a proposed action an adequate opportunity to participate at a meeting where such proposed action is considered. The Proposed Amendment would prevent one who holds or controls a large block of the Company's voting stock from using the written consent procedure to take shareholder action outside of a shareholder meeting of which all shareholders would receive notice. This Proposed Amendment would also protect shareholders from actions taken without their approval and outside of a forum in which they could express their opinions for or against such actions. It will enable the Company to set a record date for any shareholder voting, and should reduce the possibility of disputes or confusion regarding the validity of purported shareholder action. The amendment could provide some encouragement to a potential acquiror to negotiate directly with the Board of Directors.

The Board of Directors does not believe that the elimination of shareholder action by written consent will create a significant impediment to a tender offer or other effort to take control of the Company. Nevertheless, the effect of this proposal may be to make more difficult, or delay, certain actions by a person or a group acquiring a substantial percentage of the Company's stock, even though such actions might be desired by, or beneficial to, the holders of a majority of the Company's stock. Shareholders wishing to effectuate such a change would need to bring their proposals to a properly called and noticed annual or special meeting, a process which could be more time consuming than through the written consent procedure. This proposal could also hinder the ability of the holders of a majority of the Company's voting stock to take, in the opinion of such shareholders, legitimate or necessary action on behalf of all the shareholders without bringing such action before a properly called and duly-noticed annual or special meeting of shareholders.

#### AMENDMENT TO PROVIDE THAT ONLY A MAJORITY OF THE BOARD OF DIRECTORS OR A GREATER PERCENTAGE OF VOTING STOCK MAY CALL SPECIAL MEETINGS OF SHAREHOLDERS

#### General

The Board of Directors recommends that the Company's Articles of Incorporation be amended and restated to add Article V, Paragraph C of the Proposed Articles, which provides that special meetings of shareholders of the Company may be called at any time by a majority of the total number of authorized positions on the Board of Directors (calculated without regard to any vacancies thereon at the time the Board considers the resolution requesting the special (meeting), or by the holders of not less than fifty percent (50%) of the shares entitled to be cast on any issue at the proposed special meeting, provided that such holders deliver to the Secretary of the Company a written demand or demands for the meeting and state the purposes therefor. Special meetings of shareholders may not be called by any other person or persons.

Article I, Section 2 of the Company's Bylaws currently permits either (i) a majority of the members of the Board of Directors or (ii) shareholders having not less than one-fourth (25%) of the voting power of the Company to request a special meeting. The FBCA permits a special meeting to be called by either (i) a majority of the Board of Directors or other persons authorized by the Articles of Incorporation, or (ii) the holders of not less than ten percent (10%) of the shares entitled to be voted on any issue at the proposed special meeting, but the Articles of Incorporation may specify a greater percentage, up to fifty percent (50%).

#### Reasons for and Effects of the Proposed Amendment

Proxy fights at special meetings have been utilized by potential acquirors in an attempt to undercut the authority of a corporation's board of directors to negotiate on behalf of the corporation and its shareholders. Where a board has determined that an acquisition offer is unfair or inadequate as to the shareholders of the corporation, some potential acquirors have used the power to call special shareholders' meetings to remove directors and replace them with nominees of the acquiror, or to take other actions to reverse prior actions of the board of directors which had been taken to protect the corporation and its shareholders. Under the FBCA, a potential acquiror with a ten percent (10%) interest in the Company's Common Stock, or someone who is able to solicit proxies sufficient to represent that number of shares, can put the Company to the expense of calling a special meeting and can place before the meeting any proposals that the potential acquiror desires, so long as they are appropriate for shareholder action. During the time between the call of the special meeting and the time it is held, the Board of Directors may feel constrained to preserve shareholders' freedom of action at the meeting by foregoing actions it might otherwise take in response to an unfair or inadequate bid. This Proposed Amendment would strengthen the position of the Board of Directors in dealing with potential acquirors. It would make it more difficult for a potential

acquiror opposed to the position taken by the Board of Directors with respect to a bid to call a special meeting. Only when the acquiror has acquired at least fifty percent (50%) of the votes entitled to be cast at the special meeting, would the acquiror be able to call a special meeting without the consent of the Board of Directors or others who have been authorized to call such meetings.

This Proposed Amendment would limit the power of shareholders to call special meetings, whether to remove and replace the incumbent directors or for other purposes, by raising the required percentage of shares needed to call a special meeting from ten percent (10%) to fifty percent (50%) of the shares required for a vote at the special meeting. This limitation would apply even to shareholders who do not seek to acquire the Company but wish to call a special meeting to address particular proposals which the shareholders may deem beneficial to them. To this extent, this Proposed Amendment might make more secure the positions and decisions of the existing members of the Board of Directors. This Proposed Amendment may also discourage certain potential acquirors from making unsolicited offers for control of the Company, if they anticipate that their offer will be viewed negatively by the Board of Directors.

AMENDMENT TO CHANGE THE REQUIREMENTS FOR  
NOMINATIONS OF DIRECTORS BY SHAREHOLDERS

General

The Board of Directors recommends that the Company's Articles of Incorporation be amended and restated to add Article VII of the Proposed Articles, which would require that any shareholder nominations for the election of directors be delivered to the Company no less than one hundred twenty (120) nor more than one hundred eighty (180) days in advance of the date of the Company's notice of annual meeting provided with respect to the previous year's annual meeting. If no such meeting was held in the previous year or the date of this year's annual meeting has been changed to be more than thirty (30) calendar days earlier than the date contemplated by the previous year's proxy statement, such notice must be received no later than the tenth (10th) day following the earlier of (i) the date on which the notice of annual meeting is given to shareholders or (ii) the date on which such notice of the meeting is made public. Such shareholder nominations must contain (a) as to each person whom the shareholder proposed to nominate for election or re-election as a director at the annual meeting: (w) the name, age, business address and residence address of the proposed nominee, (x) the principal occupation or employment of the proposed nominee, (y) the class and number of shares of capital stock of the Company which are beneficially owned by the proposed nominee, and (z) any other information relating to the proposed nominee that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the 1934 Act; and (b) as to the shareholder giving the notice of nominees for election at the annual meeting, (x) the name and record address of the shareholder, and (y) the class and number of shares of capital stock of the Company which are beneficially owned by the shareholder.

Presently, Article II, Section 2 of the Company's Bylaws provides that nominations for election to the Board of Directors may be made by the Board of Directors or by any shareholder. Nominations by a shareholder must be delivered in writing to the Company's President not less than fourteen (14) nor more than fifty (50) days prior to any meeting of shareholders called for the election of directors. If less than twenty-one (21) days notice of such a meeting is given to the shareholders, such nomination must be delivered not later than the close of business on the seventh (7th) day after the day on which the notice was mailed. Such a nomination must contain to the extent known by the notifying shareholder (i) the name and address of each proposed nominee; (ii) the principal occupation of each proposed nominee; (iii) the total number of shares of capital stock of the Company that would be voted for each proposed nominee; (iv) the name and residence address of the notifying shareholder; and (v) the number of shares of capital stock of the Company owned by the notifying shareholder.

Reasons for and Effects of the Proposed Amendment

The lengthier advance notice requirement regulating shareholder nominations at any meeting of shareholders affords the Board of Directors a better opportunity to consider the qualifications of the proposed nominee and, to the extent deemed necessary or desirable by the Board, to inform shareholders about such qualifications. This Proposed Amendment is also intended to make it more difficult for persons to wage a successful proxy fight in connection with the election of directors. While this Proposed Amendment will not preclude shareholder nominations, it does require that ample notice and information with respect to nominations from shareholders be provided to the Board of Directors in order to give the Board of Directors time to respond to such nominations and prepare materials outlining why the Board of Directors's nominees are better qualified than the shareholder nominees. Such a provision also deters last minute challenges against members of the Board by requiring that shareholders who wish to submit nominees for election to the Board of Directors give management of the Company, in many instances, at least four months advance notice of any such nominations.

This Proposed Amendment could have the further effect of limiting

shareholder nominations of legitimate director candidates by requiring advance notice of and detailed information on such nominees. Although this Proposed Amendment may place a heavier burden upon shareholders who wish to nominate directors, such inconvenience, in the Board of Directors's opinion, is outweighed by its deterrent effect upon the attempts by potential acquirors to circumvent the Board of Directors by nominating unknown or possibly unqualified candidates for election to the Board of Directors.

AMENDMENT TO INCREASE THE SHAREHOLDER VOTE REQUIRED  
FOR AMENDMENT OR REPEAL OF CERTAIN PROVISIONS  
IN THE ARTICLES OF INCORPORATION

General

The Board of Directors recommends that Article X of the Company's Articles of Incorporation be amended and restated as set forth in Article X of the Proposed Articles. This Proposed Amendment would require that, to repeal or amend any of Articles V, VI, VII, VIII, IX or X of the Proposed Articles, such a repeal or amendment must receive the affirmative vote of at least (i) two-thirds (66 2/3%) of the then-outstanding shares of the Company's stock entitled to vote or (ii) a majority of "Disinterested Directors" and a majority of the then-outstanding shares of Company's stock entitled to vote. For the purposes of this Proposed Amendment, the term "Disinterested Directors" shall mean (a) any director who was a member of the Board of Directors on the date of the proposed amendment or repeal, or (b) any director who was recommended for election by or who was elected to fill a vacancy and received the affirmative vote of a majority of such directors then on the Board of Directors. The amendment or repeal of any other provision of the Articles of Incorporation shall be carried out as permitted by the FBCA, as discussed below.

At present, Article X of the Articles of Incorporation provides that all provisions of the Articles of Incorporation must be amended in accordance with the FBCA. The FBCA provides that, unless a higher voting requirement is set by the Articles of Incorporation, amendments to the Articles of Incorporation must be approved by either (i) a majority of the votes entitled to be cast if such amendments create dissenters' rights under the FBCA and (ii) for amendments which do not create dissenters' rights under the FBCA, a plurality of the votes cast at a meeting at which a quorum is present.

Reasons for and Effects of the Proposed Amendment

This Proposed Amendment is necessary to avoid the possible future amendment or repeal of the corporate governance provisions set forth in the Proposed Articles. Such an amendment or repeal would allow an outside party to accomplish an outcome precluded by the provisions of the Proposed Articles simply by amending or repealing the limiting provisions. However, this Proposed Amendment would protect shareholders of the Company's voting stock by allowing them to block the future amendment or repeal of any of these Proposed Amendments, even if the amendment or repeal were deemed desirable by or beneficial to the holders of more than a majority (although less than 66 %) of the voting power of the Company's outstanding capital stock. Another effect of this Proposed Amendment is that it would make any repeal or amendment of the specified provisions of the Articles of Incorporation more difficult, even if not sought by an unwanted acquiror and even if desired by a majority (although less than 66 %) of the Company's voting stock. This Proposed Amendment would not alter the voting requirements for the amendment or repeal of any other provision not specifically mentioned.

It is the opinion of the Board of Directors that this proposal to change the number of votes required to amend or repeal any of the corporate governance provisions considered herein is necessary, despite its limiting effect on future changes to the Articles of Incorporation, to reinforce the effectiveness of the Proposed Amendments by making circumvention of such provisions more difficult.

AMENDMENT TO SPECIFY FACTORS TO BE CONSIDERED BY THE  
BOARD OF DIRECTORS IN CONSIDERING ACQUISITION OFFERS

General

The Board of Directors recommends that the Company's Articles of Incorporation be amended and restated to add Article VIII of the Proposed Articles, which provides that the Board of Directors must consider all factors it deems relevant in evaluating a proposed share exchange, tender offer, merger, consolidation, or other similar transaction. This Proposed Amendment would require the Board of Directors to consider (i) the best interests of the shareholders, the Company and the Group Banks; (ii) the social, legal and economic effects on employees, customers, depositors and communities served by the Company and the Group Banks; (iii) the consideration offered in relation to the then current market value of the Company or the Group Banks in a freely negotiated transaction; (iv) estimations of future value of the stock of the Company or any Group Bank as an independent entity; and (v) any other factor deemed relevant by the Board of Directors. This Proposed Amendment would give the Board the ability to consider factors other than shareholder value in considering acquisition overtures and places such considerations within the duty of the Board of Directors. Although the Company has not received and is not



aware of any current or future attempts to acquire the Company, this provision would require the Board to evaluate all factors in considering a potential future acquisition offer, including the long-term value of the Company as a going concern versus the short-term benefit to shareholders, in order to maximize shareholder value.

At present, neither the Articles nor the Bylaws of the Company provide the Board of Directors with guidance as to how to proceed in the event the Company is faced with an acquisition proposal. The FBCA generally provides that a director, in discharging his or her duties, may consider such factors as he or she deems relevant, including (i) the long-term prospects and interests of the corporation and its shareholders; (ii) the social, economic, legal or other effects of any actions on the employees, suppliers or customers of the corporation or its subsidiaries; (iii) the effects of any actions on the communities and society in which the corporation or its subsidiaries operate; and (iv) the effects of any actions upon the economy of the state and the nation.

#### Reasons for and Effects of the Proposed Amendment

While a tender offer or other attempt to acquire the Company may be made at a price substantially above the market price of the Company's Common Stock and thus may seem to be in the short-term best interest of shareholders, such offers frequently are made for less than all of the outstanding stock of the target company. Such partial offers may present shareholders with the alternatives of either partially liquidating their investment at a time when such a liquidation may be disadvantageous or retaining an investment in an enterprise under substantially new management whose objectives may differ from those of the remaining shareholders. Such offers may also seek to sacrifice the long-term going-concern value of the Company, in order to sell the Company's assets for an immediate but lesser short-term profit. The offers may have harmful effects on the Company's employees and the communities they serve which outweigh the short-term attractiveness of such offers. Furthermore, it is possible that the market price of the Company's securities or other properties may not always reflect the true value of such securities or properties at the time of the offer or in the future and thus a sale on such terms might be financially detrimental to the interests of Company shareholders.

This Proposed Amendment might have the effect of discouraging some tender offers which are above market price or which might otherwise be favorable to shareholders in the short run. Nonetheless, the Board of Directors believes that this Proposed Amendment will help deter attempts to acquire the Company in a manner or on terms which are not, in the opinion of the Board of the Directors, in the medium- to long-range best interests of the shareholders.

#### AMENDMENT TO EXPAND INDEMNIFICATION OF OFFICERS AND DIRECTORS

##### General

The FBCA provides a detailed statutory framework for the indemnification of directors, officers, employees and agents of a corporation who have been or are threatened to be made defendants in legal proceedings by reason of their service to the corporation. Article VII, Section 4 of the Company's Bylaws currently provides that the Company may indemnify its officers, directors, employees and other agents to the extent provided by the FBCA.

The FBCA provides that a director, officer, employee or other agent of a Florida corporation (i) shall be indemnified by the corporation for all expenses of such litigation actually and reasonable incurred when he or she is successful on the merits on any legal proceeding; (ii) may be indemnified by the corporation for liability incurred in connection with such legal proceedings (other than a derivative suit), even if he or she is not successful on the merits, if he or she acted in good faith and in a manner reasonably believed to be in the best interest of the corporation (and in the case of a criminal proceeding, he or she had no reasonable cause to believe that such conduct was unlawful), and (iii) may be indemnified by the corporation for expenses of a derivative suit (a suit by a shareholder alleging a breach by a director or officer of a duty owed to the corporation) and amounts paid in settlement not to exceed, in the judgment of the board of directors, the estimated costs and expenses of litigating the proceeding to conclusion, even if he or she is not successful on the merits, if he or she acted in good faith and in a manner he or she reasonably believed to be in the best interest of the corporation and the shareholders, provided, however, that if he or she is adjudged liable in the performance of his or her duties to the corporation, such indemnification may be made in accordance with this clause (iii) unless and only to the extent that a court determines that in view of all of the circumstances, he or she is fairly and reasonably entitled to indemnification for expenses to the extent permitted by such court. The indemnification described in clauses (ii) and (iii) above shall be made only upon a determination by (a) a majority of a quorum of disinterested directors; (b) if a quorum of disinterested directors is not obtainable, or, even if obtainable, by majority vote of a committee duly designated by the board of directors (in which directors who are parties may participate) consisting solely of two or more directors who are not at the time parties to the proceeding; (c) independent legal counsel in a written opinion; (d) the shareholders (excluding the shares owned by the person seeking

indemnification); or (e) the court in which the proceeding is or was pending, if indemnification is proper under the circumstances because the applicable standard of conduct has been met. The Board of Directors may authorize the advancement of litigation expenses to a director or officer upon receipt of an undertaking by such director or officer to repay such expenses if it is ultimately determined that he is not entitled to be indemnified for them.

This statutory indemnification scheme has two major limitations: (i) the Company is under no obligation to advance litigation expenses to a director, officer or other agent; and (ii) except in the case of litigation in which a director, officer or other agent is successful on the merits, indemnification of a director, officer or other agent is discretionary rather than mandatory. These limitations could often leave directors or officers susceptible to incurring heavy financial burdens in the event of an actual or threatened legal proceeding; for example, if the director incurs and pays legal fees and costs in settling a derivative case in order to avoid protracted litigation and does not receive indemnification from the corporation. These limitations could also place a financial burden upon directors and officers, who could be required to personally pay for legal fees and expenses incurred during the pendency of a legal proceeding, even though they may be later entitled to mandatory indemnification upon the successful adjudication of such legal proceeding.

The FBCA's statutory scheme of indemnification is not exclusive and allows expanded indemnification by bylaw, agreement, vote of shareholders or disinterested directors, or otherwise if the articles of incorporation are amended to permit such expanded indemnification. Notwithstanding such expansion of indemnification rights, the FBCA does not permit indemnification for (i) acts or omissions that involve a violation of the criminal law, unless the director, officer employee or agent had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful; (ii) any transaction from which a director, officer or agent derived an improper personal benefit; (iii) willful misconduct that shows a conscious disregard for the best interest of the corporation in a proceeding by or in the right of the corporation to procure a judgment in its favor or in a proceeding by or in the right of a shareholder; or (iv) approving an improper distribution to shareholders.

Under this Proposed Amendment, the Company would be obligated (without the exercise of any discretion) to indemnify its officers and directors of the Company for costs and expenses actually and reasonably incurred in connection with a legal proceeding, including amounts paid in settlement of such a proceeding, to the fullest extent permitted by the FBCA, and would require advancement of such costs and other expenses during pending proceedings. It does not affect the Board of Directors' discretionary ability to provide indemnification with respect to other persons, such as agents and employees. The principal change effected by this Proposed Amendment is that it obligates the Company to indemnify officers and directors, as opposed to relying on Florida law which provides for discretionary indemnification in most cases. This Proposed Amendment does not change the Company's current discretionary indemnification provisions, as permitted by the FBCA, for the Company's employees and agents, or any director, officer, employee or agent of any of the Group Banks.

#### Reasons for and Effects of the Proposed Amendment

This proposal serves to attract knowledgeable and responsible persons to serve as officers and directors of the Company by protecting them against personal liability in the event of any legal proceedings resulting from or in connection with their good faith and lawful acts on behalf of the Company. Another benefit of this Proposed Amendment is that officers and directors can perform their duties knowing they will be indemnified, regardless of who the Board of Directors of the Company may be at present or in the future. Such a provision would also protect officers and directors in the event that, through a successful proxy fight, a party adverse to the existing Board of Directors could replace a majority of the Board of Directors with its own nominees and refuse to indemnify the officers and directors or use such indemnification as leverage against such officers and directors.

This Proposed Amendment could have a detrimental effect on the Company in the event the Company is required to indemnify a director or officer for a large damage award which exceeds any amounts otherwise reimbursable by insurance. In such an instance, the Company would be required to indemnify the director or officer out of its cash assets, which could have an adverse effect on the financial condition of the Company. However, the likelihood of such event in the foreseeable future is, to the Board of Directors' knowledge, unlikely. Furthermore, the number of individuals to whom indemnification would be obligatory is limited to a relatively small group of officers or directors of the Company and would not extend to agents or employees of the Company, or agents, employees, officers or directors of any of the Group Banks.

Although the directors have a personal interest in this matter, they strongly believe that this Proposed Amendment is in the best interest of the Company and its shareholders in part because they feel that it will be helpful in permitting the Company to attract and retain competent directors and officers.

SHAREHOLDER PROTECTION PROVISIONS UNDER FLORIDA LAW  
APPLICABLE TO THE COMPANY

The following discussion is a summary of two statutory shareholder protection provisions under the FBCA which apply to certain Florida corporations, including the Company. This summary is provided for informational purposes only. As such, this summary does not purport to be a complete discussion of, and is qualified in its entirety by reference to, the governing law and governing corporate documents of the Company.

#### Affiliated Transactions

Section 607.0901 of the FBCA provides a super-majority requirement for certain proposed transactions ("Section 607.0901") which applies to all Florida corporations unless a corporation expressly chooses to "opt out" of the applicability of such law or the corporation falls under one of the exemptions from the statute's application. Under the FBCA, any merger, share exchange, dissolution or sale of all or substantially all of the assets of a corporation other than in the usual and regular course of business must be approved by the affirmative vote of the holders of a majority of the shares of stock entitled to vote on the matter. As to the Company, Section 607.0901, as well as the current Articles of Incorporation of the Company and the Proposed Articles, require that, in addition to any vote required by the FBCA and subject to the exceptions described below, any "Affiliated Transaction" between the Company and any beneficial owner of 10% or more of the Company's voting shares, including shares held by any associate or affiliate of such a person (an "Interested Shareholder"), be approved by the affirmative vote of the holders of two-thirds (66 %) of the voting shares of the Company's stock, excluding for such purposes any shares held by the Interested Shareholder. An "Affiliated Transaction" includes, among other transactions: (i) any merger or consolidation of the Company or any of its subsidiaries with an Interested Shareholder or an associate or affiliate of an Interested Shareholder, (ii) any sale, exchange or other disposition of assets of the Company to an Interested Shareholder or an associate or affiliate of an Interested Shareholder, having an aggregate market value of all of the outstanding shares of the Company, or representing 5% or more of the earning power or net income of the Company, and (iii) the issuance or transfer to the Interested Shareholder or an associate or affiliate of the Interested Shareholder, by the Company, of the shares of the Company or any of its subsidiaries which have an aggregate market value equal to 5% or more of the aggregate market value of all of the outstanding shares of the Company.

However, the voting requirements of Section 607.0901 do not apply to an Affiliated Transaction if, among other things: (a) the Affiliated Transaction has been approved by a majority of the disinterested directors on the Company's board of directors, (b) the Interested Shareholder has been the beneficial owner of at least 80% of the Company's outstanding voting shares for at least five years, (c) certain fair price requirements have been met, or (d) the Company has not had more than 300 shareholders of record at any time during the three years preceding the date of the first general public announcement of a proposed Affiliated Transaction. The Company may also "opt out" entirely from the applicability of the Section 607.0901 through a provision in the Company's original Articles of Incorporation or through an amendment to its Articles of Incorporation or Bylaws. However, any such amendment to its Articles of Incorporation or Bylaws to expressly exclude the Company from the applicability of Section 607.0901 must be approved by the affirmative vote of the holders, other than Interested Shareholders, of a majority of the outstanding voting shares of the Company and such amendment will not be effective until 18 months following such a vote. The "opt out" provision shall not apply to any Affiliated Transaction with an Interested Shareholder who became an Interested Shareholder on or prior to the effective date of such amendment.

The Company is currently subject to Section 607.0901 under its present Articles of Incorporation, and thus any Affiliated Transaction would be subject to a two-thirds (66 %) vote of the holders of the outstanding shares of the Company entitled to vote, unless otherwise exempt. Section 607.0901 protects shareholders of the Company because it increases the difficulty and expense for a potential acquiror seeking to gain control of the Company by freezing out certain minority shareholders in a "two-step" merger transaction. Thus, Section 607.0901 serves to protect shareholders from the inequitable results of certain transactions between a corporation and an Interested Shareholder.

The Proposed Amendments will not alter the possible applicability of Section 607.0901 to the Company and the Board of Directors does not presently or in the future expect that it will contemplate proposing to the shareholders that the Company "opt out" from the applicability of Section 607.0901. Given the protections to shareholders afforded by Section 607.0901, the Board of Directors believes that it is in the best interest of the shareholders of the Company to continue to remain subject to Section 607.0901.

#### Control Share Acquisitions

The control share acquisition provisions of the FBCA ("Section 607.0902") impose conditions and restrictions on "control share acquisitions" which provide that any "control shares" (shares which represent at least 20% of the outstanding stock of a Florida corporation) that are acquired in a "control

share acquisition" have no voting rights except to the extent approved by the affirmative vote of a majority of all votes entitled to be cast on the matter, excluding all "interested shares," which are shares which may be voted directly or indirectly by the person proposing to make the "control share acquisition," by any officer of the corporation or by any employee who is also a director of the corporation. Section 607.0902 also exempts from its application shares acquired (i) by gift, will, or intestacy; (ii) in satisfaction of a security interest; (iii) as a result of a merger or share exchange which the issuer is a party to such transaction; (iv) by participating in a savings, employee stock or other benefit plan of the corporation or any of its subsidiaries; or (v) by a group of two or more persons acting together with respect to the voting of shares provided that such persons are (a) related by blood or marriage and (b) have been shareholders of the Company since July 1, 1987. These provisions are inapplicable if a Florida corporation's charter or bylaws are amended to "opt out" of Section 607.0902 in order to permit the acquisition of such shares prior to the acquiring person's acquisition thereof.

The purpose of Section 607.0902 is to protect shareholders of Florida corporations by providing them with an opportunity to decide whether a change in corporate control is desirable. This statute attempts to place a corporation's shareholders on equal ground with a potential acquiror by nullifying the voting power of "control shares" acquired by those who may seek to acquire the Company without first approaching the Board of Directors. The application of Section 607.0902 to the Company by virtue of the FBCA would have the effect of limiting the voting power of any Company shareholder, even those who are not intent on soliciting a change in control of the Company without first conferring with management, upon such shareholder's acquisition of a threshold amount of the voting stock of the Company. While this provision may limit certain legitimate or good faith acquisitions of the Company's voting stock, the Board of Directors believes that not "opting out" of this statute provides an effective means to protect the interests of Company shareholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ADOPTION BY THE SHAREHOLDERS OF THE PROPOSED AMENDED AND RESTATED ARTICLES OF INCORPORATION OF THE COMPANY.

PROPOSAL FOUR  
RATIFICATION OF APPOINTMENT OF AUDITORS

The Board of Directors has appointed Arthur Andersen LLP, independent certified public accountants, as the Company's independent auditors for the fiscal year ending December 31, 1996. Arthur Andersen LLP has served as the Company's independent auditors since the 1994 fiscal year.

It is contemplated that the services to be provided to the Company and its subsidiaries by Arthur Andersen LLP with respect to fiscal year 1996 include the audit of the Company's consolidated financial statements, limited reviews of quarterly reports, services related to filings with the Securities and Exchange Commission, preparation of the Company's tax returns and other various consultation services.

In the event shareholders do not ratify the appointment of Arthur Andersen LLP as the Company's independent auditors for the forthcoming fiscal year, such appointment will be reconsidered by the Board of Directors.

Representatives of Arthur Andersen LLP may be present at the Meeting to respond to appropriate questions and to make such statements as they may desire.

Ratification of the appointment of Arthur Andersen LLP as the Company's independent auditors for the fiscal year ending December 31, 1996 will require the affirmative vote of at least a plurality of the shares of Common Stock represented in person or by proxy and voted at the Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF ARTHUR ANDERSEN LLP AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 1996.

SHAREHOLDERS' PROPOSALS

Shareholders who intend to submit proposals to the Company's shareholders at the 1997 Annual Meeting of Shareholders must submit such proposals to the Company no later than December 10, 1996, in order to be considered for inclusion in the Proxy Statement and Proxy to be distributed by the Board of Directors in connection with that meeting. Shareholder proposals should be submitted to J. Kimbrough Davis, Capital City Bank Group, Inc., Post Office Box 11248, Tallahassee, Florida 32302.

MISCELLANEOUS

The Company has filed an annual report for the fiscal year ended December 31, 1995, on Form 10-K with the Securities and Exchange Commission. Shareholders may obtain, free of charge, a copy of the Company's annual report on Form 10-K by writing to the Chief Financial Officer at the Company's corporate address.

The Board of Directors knows of no other matters which will be brought before the Annual Meeting of Shareholders. Execution of Item 5 of the proxy, however, confers on the designated proxy holders discretionary authority to vote

the shares in accordance with their best judgment on other business, if any,  
that may properly come before this meeting or any adjournments thereof.

For the Board of Directors,

/s/ J. Kimbrough Davis

J. KIMBROUGH DAVIS  
Corporate Secretary

Tallahassee, Florida  
April 10, 1996  
0189557.02

CAPITAL CITY BANK GROUP, INC.  
1996 ASSOCIATE INCENTIVE PLAN

1. Purpose. The purpose of the 1996 Associate Incentive Plan ("Plan") of Capital City Bank Group, Inc. ("Company") is to provide a means through which the Company and its Subsidiaries may attract able persons to enter and remain in the employ or other service of the Company and its Subsidiaries, and to provide a means whereby those key persons upon whom the responsibilities of the successful administration and management of the Company rest, and whose present and potential contributions to the welfare of the Company are of importance, can acquire and maintain stock ownership, thereby strengthening their commitment to the welfare of the Company and promoting an identity of interest between shareholders and these key persons.

A further purpose of the Plan is to provide such key persons with additional incentive and reward opportunities designed to enhance the profitable growth of the Company. The Plan provides for granting Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Phantom Stock Unit Awards and Performance Share Units, or any combination of the foregoing.

2. Definitions. The following definitions shall be applicable throughout the Plan.

(a) "Appreciation Date" shall mean the date designated by a Holder of Stock Appreciation Rights for measurement of the appreciation in the value of rights awarded to him, which date shall be the date notice of such designation is received by the Committee, or its designee.

(b) "Award" shall mean, individually or collectively, any Incentive Stock Option, Non-Qualified Stock Option, Stock Appreciation Right, Restricted Stock Award, Phantom Stock Unit Award or Performance Share Unit Award.

(c) "Award Period" shall mean a period of time within which performance is measured for the purpose of determining whether an award of Performance Share Units has been earned.

(d) "Board" shall mean the Board of Directors of the Company.

(e) "Cause" shall mean the Company or a Subsidiary having cause to terminate a Participant's employment under any existing employment agreement between the Participant and the Company or a Subsidiary or, in the absence of such an employment agreement, upon (i) the determination by the Committee that the Participant has failed to perform his duties to the Company or a Subsidiary (other than as a result of his incapacity due to physical or mental illness or injury), which failure amounts to an intentional and extended neglect of his duties to such party, (ii) the Committee's determination that the Participant has engaged or is about to engage in conduct materially injurious to the Company or a Subsidiary, or (iii) the Participant having been convicted of a felony.

(f) "Change in Control" shall, unless the Board otherwise directs by resolution adopted prior thereto, be deemed to occur if (i) any "person" (as that term is used in Sections 13 and 14(d)(2) of the Securities and Exchange Act of 1934 ("Exchange Act")) is or becomes the beneficial owner (as that term is used in Section 13(d) of the Exchange Act), directly or indirectly, of twenty-five percent (25%) or more of the voting stock; or (ii) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's shareholders of each new director was approved by a vote of at least three-quarters of the directors then still in office who were directors at the beginning of the period. Any merger, consolidation or corporate reorganization in which the owners of the Company's capital stock entitled to vote in the election of directors ("Voting Stock") prior to said combination, own fifty percent (50%) or more of the resulting entity's voting stock shall not, by itself, be considered a Change in Control.

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

(h) "Committee" shall mean the Compensation Committee of the Board, or such other committee as may be appointed by the Board, each member of which shall be a "disinterested person" within the meaning of Rule 16b-3, which shall be the administrative committee for the Plan.

(i) "Common Stock" shall mean the Common Stock of the Company, one penny (\$0.01) par value per share.

(j) "Company" shall mean Capital City Bank Group, Inc., a

Florida corporation.

(k) "Date of Grant" shall mean the date on which the granting of an Award is authorized or such other date as may be specified in such authorization.

(l) "Disability" shall mean the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a Participant was employed when such disability commenced or, if the Participant was retired when such disability commenced, the inability to engage in any substantial gainful activity, as determined by the Committee based upon medical evidence acceptable to it.

(m) "Disinterested Person" shall mean a person who is a "disinterested person" within the meaning of Rule 16b-3 of the Exchange Act, or any successor rule or regulation.

(n) "Eligible Associate" shall mean any person regularly employed by the Company or a Subsidiary on a full-time salaried basis who satisfies all of the requirements of Section 6.

(o) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(p) "Fair Market Value" shall mean (i) the average of the high and low prices of the Common Stock on the principal national securities exchange on which the Common Stock is traded for the ten (10) trading days immediately preceding the date of determination, if the Common Stock is then traded on a national securities exchange; or (ii) the last reported sale price of the Common Stock on the NASDAQ National Market List for the ten (10) trading days immediately preceding the date of determination, if the Common Stock is not then traded on a national securities exchange; or (iii) the closing bid price (or average of bid prices) last quoted by an established quotation service for over-the-counter securities for the ten (10) trading days immediately preceding the date of determination, if the Common Stock is not reported on the NASDAQ National Market List. However, if the Common Stock is not publicly-traded at the time an option is granted under the Plan, "Fair Market Value" shall be deemed to be the fair value of the Common Stock as determined by the Compensation Committee of the Board of the Company (the "Committee") after taking into consideration all factors which it deems appropriate, including, without limitation, recent sale and offer prices of the Common Stock in private transactions negotiated at arm's length.

(q) "Holder" shall mean a Participant who has been granted an Option, a Stock Appreciation Right, a Restricted Stock Award, Phantom Stock Unit Award or a Performance Share Unit Award.

(r) "Incentive Stock Option" shall mean an Option granted by the Committee to a Participant under the Plan which is designated by the Committee as an Incentive Stock Option pursuant to Section 422 of the Code.

(s) "Non-Qualified Stock Option" shall mean an Option granted by the Committee to a Participant under the Plan which is not designated by the Committee as an Incentive Stock Option.

(t) "Normal Termination" shall mean termination:

(i) With respect to the Company or a Subsidiary, at retirement (excluding early retirement) pursuant to the Company retirement plan then in effect;

(ii) On account of Disability;

(iii) With the written approval of the Committee; or

(iv) By the Company or a Subsidiary without cause.

(u) "Option" shall mean an Award granted under Section 7 of the Plan.

(v) "Option Period" shall mean the period described in Section 7(c).

(w) "Participant" shall mean a person who has been selected to participate in the Plan and to receive an Award pursuant to Section 6. Participants are limited to Eligible Associates or a director of a Subsidiary who is not otherwise a participant in the Company's 1996 Director Stock Purchase Plan.

(x) "Performance Goals" shall mean the performance objectives of the Company during an Award Period or Restricted Period established for the purpose of determining whether, and to what extent, Awards will be earned for an Award Period or Restricted Period.

(y) "Performance Share Unit" shall mean a hypothetical investment equivalent equal to one share of Stock granted in connection

with an Award made under Section 9 of the Plan.

(z) "Phantom Stock Unit" shall mean a hypothetical investment equivalent equal to one Share of Stock granted in connection with an Award made under Section 10 of the Plan, or credited with respect to Awards of Performance Share Units which have been deferred under Section 9.

(aa) "Plan" shall mean the 1996 Associate Incentive Plan of Capital City Bank Group, Inc.

(bb) "Restricted Period" shall mean, with respect to any share of Restricted Stock, the period of time determined by the Committee during which such share of Restricted Stock is subject to the restrictions set forth in Section 10.

(cc) "Restricted Stock" shall mean shares of Common Stock issued or transferred to a Participant subject to the restrictions set forth in Section 10 and any new, additional or different securities a Participant may become entitled to receive as a result of adjustments made pursuant to Section 12.

(dd) "Restricted Stock Award" shall mean an Award granted under Section 10 of the Plan.

(ee) "Securities Act" shall mean the Securities Act of 1933, as amended.

(ff) "Stock" shall mean the Common Stock or such other authorized shares of stock of the Company as the Committee may from time to time authorize for use under the Plan.

(gg) "Stock Appreciation Right" or "SAR" shall mean an Award granted under Section 8 of the Plan.

(hh) "Subsidiary" shall mean any corporation which is a "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code.

(ii) "Valuation Date" shall mean the last day of an Award Period or the date of death of a Participant, as applicable.

3. Effective Date, Duration and Shareholder Approval. Subject to the approval of this Plan by the shareholders of the Company at a duly convened meeting of shareholders, the Plan shall become effective on the date of approval by the Board, and no further Awards may be made after December 31, 2005.

The Plan shall continue in effect until all matters relating to the payment of Awards and administration of the Plan have been settled.

4. Administration. The Committee shall administer the Plan. Each member of the Committee shall, at the time he takes any action with respect to an Award under the Plan, be a Disinterested Person. A majority of the members of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present or acts approved in writing by a majority of the Committee shall be deemed the acts of the Committee.

No member of the Committee, while serving as such, shall be eligible to receive an Award under the Plan. Subject to the provisions of the Plan, the Committee shall have exclusive power to:

- (a) Select the persons to be Participants in the Plan;
- (b) Determine the nature and extent of the Awards to be made to each Participant;
- (c) Determine the time or times when Awards will be made;
- (d) Determine the duration of each Award Period;
- (e) Determine the conditions to which the payment of Awards may be subject;
- (f) Establish the Performance Goals for each Award Period;
- (g) Prescribe the form or forms evidencing Awards; and
- (h) Cause records to be established in which there shall be entered, from time to time as Awards are made to Participants, the date of each Award, the number of Incentive Stock Options, Non-Qualified Stock Options, SARs, Phantom Stock Units, Performance Share Units and Shares of Restricted Stock awarded by the Committee to each Participant, the expiration date, the Award Period and the duration of any applicable Restricted Period.

The Committee shall have the authority, subject to the provisions



of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any Awards granted pursuant thereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties unless otherwise determined by the Board.

5. Grant of Options, Stock Appreciation Rights, Restricted Stock Awards, Phantom Stock Awards and Performance Share Units; Shares Subject to the Plan. The Committee may, from time to time, grant Awards of Options, Stock Appreciation Rights, Restricted Stock, Phantom Stock Units and/or Performance Share Units to one or more Participants; provided, however, that:

(a) Subject to Section 12, the aggregate number of shares of Stock made subject to Awards may not exceed two hundred fifty thousand (250,000);

(b) Such shares shall be deemed to have been used in payment of Awards whether they are actually delivered or the Fair Market Value equivalent of such shares is paid in cash. In the event any Option, SAR not attached to an Option, Restricted Stock, Phantom Stock Unit or Performance Share Unit shall be surrendered, terminate, expire, or be forfeited, the number of shares of Stock no longer subject thereto shall thereupon be released and shall thereafter be available for new Awards under the Plan to the fullest extent permitted by Rule 16b-3 under the Exchange Act (if applicable at the time); and

(c) Stock delivered by the Company in settlement of Awards under the Plan may be authorized and unissued Stock or Stock held in the treasury of the Company or may be purchased on the open market or by private purchase at prices no higher than the Fair Market Value at the time of purchase.

6. Eligibility. Participants shall be limited to officers and employees of the Company and its Subsidiaries and to directors of Subsidiaries who are not participants in the Company's 1996 Director Stock Purchase Plan, in each case who have received written notification from the Committee or from a person designated by the Committee that they have been selected to participate in the Plan.

7. Stock Options. One or more Incentive Stock Options or Non-Qualified Stock Options can be granted to any Participant; provided, however, that Incentive Stock Options may be granted only to Eligible Associates. Each Option so granted shall be subject to the following conditions.

(a) Option price. The option price ("Option Price") per share of Stock shall be set by the Committee at the time of grant but shall not be less than (i) in the case of an Incentive Stock Option, the Fair Market Value of a share of Stock at the Date of Grant, and (ii) in the case of a Non-Qualified Stock Option, the par value per share of Stock.

(b) Manner of exercise and form of payment. Options which have become exercisable may be exercised by delivery of written notice of exercise to the Committee accompanied by payment of the Option Price. The Option Price shall be payable in cash and/or shares of Stock valued at the Fair Market Value at the time the Option is exercised, or, in the discretion of the Committee, either (i) in other property having a Fair Market Value on the date of exercise equal to the Option Price, or (ii) by delivering to the Company a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of sale or loan proceeds sufficient to pay the Option Price.

(c) Other terms and conditions. If the Holder has not died or his relationship as an officer, employee or director with the Company or a Subsidiary has not terminated, the Option shall become exercisable in such manner and within such period or periods ("Option Period"), not to exceed ten (10) years from its Date of Grant, as set forth in the Stock Option Agreement to be entered into in connection therewith.

(i) Each Option shall lapse in the following situations:

- Ten (10) years after it is granted;
- Three (3) months after Normal Termination, except as otherwise provided by the Committee, or
- Any earlier time set forth in the Stock Option Agreement.

(ii) If the Holder terminates his relationship as an officer, employee or director with the Company or a Subsidiary otherwise than by Normal Termination or death, the Option shall lapse at the time of termination.

(iii) If the Holder dies within the Option Period or within three (3) months after Normal Termination (or such other period as may have been established by the Committee), the Option shall lapse unless it is exercised within the Option Period and in no event later than twelve (12) months after the date of Holder's death by the Holder's legal representative or representatives or by the person or persons entitled to do so under the Holder's last will and testament or, if the Holder shall fail to make testamentary disposition of such Option or shall die intestate, by the person entitled to receive said Option under the applicable laws of descent and distribution.

(d) Stock Option Agreement. Each Option granted under the Plan shall be evidenced by a "Stock Option Agreement" between the Company and the Holder of the Option containing such provisions as may be determined by the Committee, but shall be subject to the following terms and conditions.

(i) Each Option or portion thereof that is exercisable shall be exercisable for the full amount or for any part thereof, except as otherwise determined by the terms of the Stock Option Agreement.

(ii) Each share of Stock purchased through the exercise of an Option shall be paid for in full at the time of the exercise. Each Option shall cease to be exercisable, as to any share of Stock, when the Holder purchases the share or exercises a related SAR or when the Option lapses.

(iii) Options shall not be transferable by the Holder except by will or the laws of descent and distribution and shall be exercisable during the Holder's lifetime only by him or her.

(iv) Each Option shall become exercisable by the Holder in accordance with the vesting schedule (if any) established by the Committee for the Award.

(v) Each Stock Option Agreement may contain an agreement that, upon demand by the Committee for such a representation, the Holder shall deliver to the Committee at the time of any exercise of an Option a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof. Upon such demand, delivery of such representation prior to the delivery of any shares issued upon exercise of an Option shall be a condition precedent to the right of the Holder or such other person to purchase any shares. In the event certificates for Stock are delivered under the Plan with respect to which such investment representation has been obtained, the Committee may cause a legend or legends to be placed on such certificates to make appropriate reference to such representation and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

(e) Grants to 10% Holders of Company Voting Stock. Notwithstanding Section 7(a), if an Incentive Stock Option is granted to a Holder who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or of the Company and its Subsidiaries, the period specified in the Stock Option Agreement for which the Option thereunder is granted and at the end of which such Option shall expire shall not exceed five (5) years from the Date of Grant of such Option and the Option Price shall be at least one hundred ten percent (110%) of the Fair Market Value (on the Date of Grant) of the Stock subject to the Option.

(f) Limitation. To the extent the aggregate Fair Market Value (as determined as of the Date of Grant) of Stock for which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and its Subsidiaries) exceeds One Hundred Thousand Dollars (\$100,000), such excess Incentive Stock Options shall be treated as Non-Qualified Stock Options.

(g) Voluntary Surrender. The Committee may permit the voluntary surrender of all or any portion of any Non-Qualified Stock Option and its corresponding SAR, if any, granted under the Plan to be conditioned upon the granting to the Holder of a new Option for the same or a different number of shares as the Option surrendered or require such voluntary surrender as a condition precedent to a grant of a new Option to such Participant. Such new Option shall be exercisable at the Option Price, during the exercise period, and in accordance with any other terms or conditions specified by the Committee at the time the new Option is granted, all determined in accordance with the provisions of the Plan without regard to the Option Price, exercise period, or any other terms and conditions of the Non-Qualified Stock Option surrendered.

(h) Order of Exercise. Options granted under the Plan may be exercised in any order, regardless of the Date of Grant or the existence of any other outstanding Option.

(i) Notice of Disposition. Participants shall give prompt notice to the Company of any disposition of Stock acquired upon exercise of an Incentive Stock Option if such disposition occurs within either two (2) years after the Date of Grant of such Option and/or one (1) year after the

receipt of such Stock by the Holder.

8. Stock Appreciation Rights. Any Option granted under the Plan may include an SAR, either at the time of grant or by amendment except that in the case of an Incentive Stock Option, such SAR shall be granted only at the time of grant of the related Option. The Committee may also award to Participants SARs independent of any Option. An SAR shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose, including, but not limited to, the following:

(a) Vesting. An SAR granted in connection with an Option shall become exercisable, be transferable and shall lapse according to the same vesting schedule, transferability and lapse rules that are established by the Committee for the Option. An SAR granted independent of an Option shall become exercisable, be transferable and shall lapse in accordance with a vesting schedule, transferability and lapse rules established by the Committee. Notwithstanding the above, an SAR shall not be exercisable by a person subject to Section 16(b) of the Exchange Act for at least six (6) months following the Date of Grant.

(b) Failure to Exercise. If on the last day of the Option Period (or in the case of an SAR independent of an Option, the SAR period established by the Committee), the Fair Market value of the Stock exceeds the Option Price, the Holder has not exercised the Option or SAR, and neither the Option nor the SAR has lapsed, such SAR shall be deemed to have been exercised by the Holder on such last day and the Company shall make the appropriate payment therefor.

(c) Payment. The amount of additional compensation which may be received pursuant to the award of one SAR is the excess, if any, of the Fair Market Value of one share of Stock on the Appreciation Date over the Option Price, in the case of an SAR granted in connection with an Option, or the Fair Market Value of one (1) share of Stock on the Date of Grant, in the case of an SAR granted independent of an Option. The Company shall pay such excess in cash, in shares of Stock valued at Fair Market Value, or any combination thereof, as determined by the Committee. Fractional shares shall be settled in cash.

(d) Designation of Appreciation Date. A Participant may designate an Appreciation Date at such time or times as may be determined by the Committee at the time of grant by filing an irrevocable written notice with the Committee or its designee, specifying the number of SARs to which the Appreciation Date relates, and the date on which such SARs were awarded. Such time or times determined by the Committee may take into account any applicable "window periods" required by Rule 16b-3 under the Exchange Act.

(e) Expiration. Except as otherwise provided in the case of SARs granted in connection with Options, the SARs shall expire on a date designated by the Committee which is not later than ten (10) years after the date on which the SAR was awarded.

## 9. Performance Shares,

(a) Award Grants. The Committee is authorized to establish Performance Share programs to be effective over designated Award Periods of not less than one (1) year nor more than five (5) years. At the beginning of each Award Period, the Committee will establish in writing Performance Goals based upon financial or other objectives for the Company for such Award Period and a schedule relating the accomplishment of the Performance Goals to the Awards to be earned by Participants. Performance Goals may include absolute or relative growth in earnings per share or rate of return on shareholders' equity or other measurement of corporate performance and may be determined on an individual basis or by categories of Participants. The Committee may adjust Performance Goals or performance measurement standards as it deems equitable in recognition of extraordinary or non-recurring events experienced during an Award Period by the Company, a Subsidiary or by any other corporation whose performance is relevant to the determination of whether Performance Goals have been attained. The Committee shall determine the number of Performance Share Units to be awarded, if any, to each Participant who is selected to receive an Award. The Committee may add new Participants to a Performance Share program after its commencement by making pro rata grants.

(b) Determination of Award. At the completion of a Performance Share program, or at other times as specified by the Committee, the Committee shall calculate the amount earned with respect to each Participant's award by multiplying the Fair Market Value on the Valuation Date by the number of Performance Share Units granted to the Participant and multiplying the amount so determined by a performance factor representing the degree of attainment of the Performance Goals.

(c) Partial Awards. A Participant for less than a full Award Period, whether by reason of commencement or termination of employment or otherwise, shall receive such portion of an Award, if any, for that Award Period as the Committee shall determine.

(d) Payment of Non-deferred Awards. The amount earned with respect to an Award shall be fully payable in shares of Stock based on the Fair Market Value on the Valuation Date; provided, however, that, at its discretion, the Committee may vary such form of payment as to any Participant upon the specific request of such Participant. Except as provided in subparagraph 9(e), payments of Awards shall be made as soon as practicable after the completion of an Award Period.

(e) Deferral of Payment. A Participant may file a written election with the Committee to defer the payment of any amount otherwise payable pursuant to subparagraph 9(d) on account of an Award to a period commencing at such future date as specified in the election. Such election must be filed with the Committee no later than the last day of the month which is two-thirds of the way through the Award Period during which the Award is earned, unless the Committee specifies an earlier filing date.

(f) Separate Accounts. At the conclusion of each Award Period, the Committee shall cause a separate account to be maintained in the name of each Participant with respect to whom all or a portion of an Award of Performance Share Units earned under the Plan has been deferred. All amounts credited to such account shall be fully vested at all times.

(g) Election of Form of Investment. Within sixty (60) days from the end of each Award Period, and at such time or times, if any, as the Committee may permit, a Participant may file a written election with the Committee of the percentage of the deferred portion of any Award of Performance Share Units which is to be expressed in the form of dollars and credited with interest, the percentage of such Award which is to be expressed in the form of Phantom Stock Units and the percentage of such Award which is to be deemed invested in any other hypothetical investment equivalent from time to time made available under the Plan by the Committee. In the event a Participant fails to file an election within the time prescribed, one hundred percent (100%) of the deferred portion of such Participant's Award shall be expressed in the form of Phantom Stock Units.

(h) Interest Portion. The amount of interest credited with respect to the portion of an Award credited to the Participant's account which is deferred and credited with interest (the "Interest Portion") shall be equal to the amount such portion would have earned had it been credited with interest from the last day of the Award Period with respect to which the Award was made until the seventh (7th) business day preceding the date as of which payment is made, compounded annually, at the Company's rate of return on shareholders' equity for each fiscal year that payment is deferred, or at such other rate as the Committee may from time to time determine. The Committee may, in its sole discretion, credit interest on amounts payable prior to the date on which the Company's rate of return on shareholders' equity becomes ascertainable at the rate applicable to deferred amounts during the year immediately preceding the year of payment.

(i) Phantom Stock Unit Portion. With respect to the portion of an Award credited to the Participant's account which is deferred and expressed in the form of Phantom Stock Units (the "Phantom Stock Unit Portion"), the number of Phantom Stock Units so credited shall be equal to the result of dividing (i) the Phantom Stock Unit Portion by (ii) the Fair Market Value on the date the Award Period ended.

(j) Dividend Equivalents. Within thirty (30) days from the payment of a dividend by the Company on its Stock, the Phantom Stock Unit Portion of each Participant's account shall be credited with additional Phantom Stock Units the number of which shall be determined by (i) multiplying the dividend per share paid on the Company's Stock by the number of Phantom Stock Units credited to his account at the time such dividend was declared, then (ii) dividing such amount by the Fair Market Value on the payment date for such dividend.

(k) Payment of Deferred Awards. Payment with respect to amounts credited to the account of a Participant shall be made in a series of annual installments over a period of ten (10) years, or such other period as the Committee may direct, or as the Committee may allow the Participant to elect, in either case at the time of the original deferral election. Except as otherwise provided by the Committee, each installment shall be withdrawn proportionately from the Interest Portion and from the Phantom Stock Unit Portion of a Participant's account based on the percentage of the Participant's account which he originally elected to be credited with interest and with Phantom Stock Units, or, if a later election has been permitted by the Committee and is then in effect, based on the percentage specified in such later election. Payments shall commence on the date specified by the Participant in his deferral election, unless the Committee in its sole discretion determines that payment shall be made over a shorter period or in more frequent installments, or commence on an earlier date, or any or all of the above. If a Participant dies prior to the date on which payment with respect to all amounts credited to his account shall have been completed, payment with respect to such amounts shall be made to the Participant's beneficiary in a series of annual installments over a period of five (5) years, unless the Committee in its sole discretion determines

that payment shall be made over a shorter period or in more frequent installments, or both. To the extent practicable, each installment payable hereunder shall approximate that part of the amount then credited to the Participant's or beneficiary's account which, if multiplied by the number of installments remaining to be paid would be equal to the entire amount then credited to the Participant's account.

(l) Composition of Payment. The Committee shall cause all payments with respect to deferred Awards to be made in a manner such that not more than one-half of the value of each installment shall consist of Stock. To that end, payment with respect to the Interest Portion and the Phantom Stock Unit Portion of a Participant's account shall be paid in cash and Stock as the Committee shall determine in its sole discretion. The determination of any amount to be paid in cash for Phantom Stock Units shall be made by multiplying (i) the Fair Market Value of one share of Stock on the date as of which payment is made, by (ii) the number of Phantom Stock Units for which payment is being made. The determination of the number of shares of Stock, if any, to be distributed with respect to the Interest Portion of a Participant's account shall be made by dividing (i) one-half of the value of such portion on the date as of which payment is made, by (ii) the Fair Market Value of one (1) share of Stock on such date. Fractional shares shall be paid in cash.

(m) Alternative Investment Equivalents. If the Committee shall have permitted Participants to elect to have deferred Awards of Performance Share Units invested in one or more hypothetical investment equivalents other than interest or Phantom Stock Units, such deferred Awards shall be credited with hypothetical investment earnings at such rate, manner and time as the Committee shall determine. At the end of the deferral period, payment shall be made in respect of such hypothetical investment equivalents in such manner and at such time as the Committee shall determine.

(n) Adjustment of Performance Goals. The Committee may, during the Award Period, make such adjustments to Performance Goals as it may deem appropriate, to compensate for, or reflect, any significant changes that may have occurred during such Award Period in (i) applicable accounting rules or principles or changes in the Company's method of accounting or in that of any other corporation whose performance is relevant to the determination of whether an Award has been earned or (ii) tax laws or other laws or regulations that alter or affect the computation of the measures of Performance Goals used for the calculation of Awards.

#### 10. Restricted Stock Awards and Phantom Stock Units.

##### (a) Award of Restricted Stock and Phantom Stock Units.

(i) The Committee shall have the authority (1) to grant Restricted Stock and Phantom Stock Unit Awards, (2) to issue or transfer Restricted Stock to Participants, and (3) to establish terms, conditions and restrictions applicable to such Restricted Stock and Phantom Stock Units, including the Restricted Period, which may differ with respect to each grantee, the time or times at which Restricted Stock or Phantom Stock Units shall be granted or become vested and the number of shares or units to be covered by each grant.

(ii) The Holder of a Restricted Stock Award shall execute and deliver to the Secretary of the Company an agreement with respect to Restricted Stock and escrow agreement satisfactory to the Committee and the appropriate blank stock powers with respect to the Restricted Stock covered by such agreements and shall pay to the Company, as the purchase price of the shares of Stock subject to such Award, the aggregate par value of such shares of Stock within sixty (60) days following the making of such Award. If a Participant shall fail to execute the agreement, escrow agreement and stock powers or shall fail to pay such purchase price within such period, the Award shall be null and void. Subject to the restrictions set forth in Section 10(b), the Holder shall generally have the rights and privileges of a shareholder as to such Restricted Stock, including the right to vote such Restricted Stock. At the discretion of the Committee, cash and stock dividends with respect to the Restricted Stock may be either currently paid or withheld by the Company for the Holder's account, and interest may be paid on the amount of cash dividends withheld at a rate and subject to such terms as determined by the Committee. Cash or stock dividends so withheld by the Committee shall not be subject to forfeiture.

(iii) In the case of a Restricted Stock Award, the Committee shall then cause stock certificates registered in the name of the Holder to be issued and deposited together with the stock powers with an escrow agent to be designated by the Committee. The Committee shall cause the escrow agent to issue to the Holder a receipt evidencing any stock certificate held by it registered in the name of the Holder.

(iv) In the case of a Phantom Stock Units Award, no shares of Stock shall be issued at the time the Award is made, and the Company will not be required to set aside a fund for the payment of any such Award. The Committee shall, in its sole discretion, determine whether to credit to the account of, or to currently pay to, each Holder of an Award of Phantom

Stock Units an amount equal to the cash dividends paid by the Company upon one share of Stock for each Phantom Stock Unit then credited to such Holder's account ("Dividend Equivalents"). Dividend Equivalents credited to Holder's account shall be subject to forfeiture and may bear interest at a rate and subject to such terms as determined by the Committee.

(b) Restrictions.

(i) Restricted Stock awarded to a Participant shall be subject to the following restrictions until the expiration of the Restricted Period: (1) the Holder shall not be entitled to delivery of the stock certificate; (2) the shares shall be subject to the restrictions on transferability set forth in the grant; (3) the shares shall be subject to forfeiture to the extent provided in subparagraph (d) and, to the extent such shares are forfeited, the stock certificates shall be returned to the Company, and all rights of the Holder to such shares and as a shareholder shall terminate without further obligation on the part of the Company.

(ii) Phantom Stock Units awarded to any Participant shall be subject to the following restrictions until the expiration of the Restricted Period: (1) the units shall be subject to forfeiture to the extent provided in subparagraph (d), and to the extent such units are forfeited, all rights of the Holder to such units shall terminate without further obligation on the part of the Company and (2) any other restrictions which the Committee may determine in advance are necessary or appropriate.

(iii) The Committee shall have the authority to remove any or all of the restrictions on the Restricted Stock and Phantom Stock Units whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the date of the Restricted Stock Award or Phantom Stock Award, such action is appropriate.

(c) Restricted Period. The Restricted Period of Restricted Stock and Phantom Stock Units shall commence on the Date of Grant and shall expire from time to time as to that part of the Restricted Stock and Phantom Stock Units indicated in a schedule established by the Committee with respect to the Award.

(d) Forfeiture Provisions. In the event a Holder terminates employment or service as a director during a Restricted Period, that portion of the Award with respect to which restrictions have not expired ("Non-Vested Portion") shall be treated as follows.

(i) Resignation or discharge:

-- The Non-Vested Portion of the Award shall be completely forfeited.

(ii) Normal Termination:

-- The Non-Vested Portion of the Award shall be prorated for service during the Restricted Period and shall be received as soon as practicable following termination.

(iii) Death:

-- The Non-Vested Portion of the Award shall be prorated for service during the Restricted Period and paid to the Participant's beneficiary as soon as practicable following death.

(e) Delivery of Restricted Stock and Settlement of Phantom Stock Units. Upon the expiration of the Restricted Period with respect to any shares of Stock covered by a Restricted Stock Award, a stock certificate evidencing the shares of Restricted Stock which have not then been forfeited and with respect to which the Restricted Period has expired (to the nearest full share) shall be delivered without charge to the Holder, or his beneficiary, free of all restrictions under the Plan.

Upon the expiration of the Restricted Period with respect to any Phantom Stock Units covered by a Phantom Stock Unit Award, the Company shall deliver to the Holder or his beneficiary without any charge one share of Stock for each Phantom Stock Unit which has not then been forfeited and with respect to which the Restricted Period has expired ("vested unit") and cash equal to any Dividend Equivalents credited with respect to each such vested unit and the interest thereon, if any; provided, however, that the Committee may, in its sole discretion, elect to pay cash or part cash and part Stock in lieu of delivering only Stock for vested units. If cash payment is made in lieu of delivering Stock, the amount of such payment shall be equal to the Fair Market Value for the date on which the Restricted Period lapsed with respect to such vested unit.

(f) Payment for Restricted Stock. Except as provided in subparagraph 10(a)(ii), a Holder shall not be required to make any payment for Stock received pursuant to a Restricted Stock Award.

(a) Additional Provisions of an Award. The award of any benefit under the Plan may also be subject to such other provisions (whether or not applicable to the benefit awarded to any other Participant) as the Committee determines appropriate including, without limitation, provisions to assist the Participant in financing the purchase of Common Stock through the exercise of Options, provisions for the forfeiture of or restrictions on resale or other disposition of shares acquired under any form of benefit, provisions giving the Company the right to repurchase shares acquired under any form of benefit in the event the Participant elects to dispose of such shares, and provisions to comply with Federal and state securities laws and Federal and state income tax withholding requirements.

(b) Privileges of Stock Ownership. Except as otherwise specifically provided in the Plan, no person shall be entitled to the privileges of stock ownership in respect of shares of stock which are subject to Options or Restricted Stock Awards, Performance Share Unit Awards or Phantom Stock Unit Awards hereunder until such shares have been issued to that person upon exercise of an Option according to its terms or upon sale or grant of those shares in accordance with a Restricted Stock Award, Performance Share Unit Award or Phantom Stock Unit Award.

(c) Government and Other Regulations. The obligation of the Company to make payment of Awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. The Company shall be under no obligation to register under the Securities Act any of the shares of Stock issued under the Plan. If the shares issued under the Plan may in certain circumstances be exempt from registration under the Securities Act, the Company may restrict the transfer of such shares in such manner as it deems advisable to ensure the availability of any such exemption.

(d) Tax Withholding. Notwithstanding any other provision of the Plan, the Company or a Subsidiary, as appropriate, shall have the right to deduct from all Awards, to the extent paid in cash, all federal, state or local taxes as required by law to be withheld with respect to such Awards and, in the case of Awards paid in Stock, the Holder or other person receiving such Stock may be required to pay to the Company or a Subsidiary, as appropriate prior to delivery of such Stock, the amount of any such taxes which the Company or Subsidiary is required to withhold, if any, with respect to such Stock. Subject in particular cases to the disapproval of the Committee, the Company may accept shares of Stock of equivalent Fair Market Value in payment of such withholding tax obligations if the Holder of the Award elects to make payment in such manner at least six months prior to the date such tax obligation is determined.

(e) Claim to Awards and Employment Rights. No employee or other person shall have any claim or right to be granted an Award under the Plan nor, having been selected for the grant of an Award, to be selected for a grant of any other Award. Neither this Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ of the Company or a Subsidiary.

(f) Conditions. Each Participant to whom Awards are granted under the Plan shall be required to enter into an Incentive Plan Agreement in a form authorized by the Committee, which may include provisions that the Participant shall not disclose any confidential information of the Company or any of its Subsidiaries acquired during the course of such Participant's employment.

(g) Designation and Change of Beneficiary. Each Participant shall file with the Committee a written designation of one or more persons as the beneficiary who shall be entitled to receive the amounts payable with respect to an Award of Performance Share Units, Phantom Share Units or Restricted Stock, if any, due under the Plan upon his death. A Participant may, from time to time, revoke or change his beneficiary designation without the consent of any prior beneficiary by filing a new designation with the Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt.

(h) Payments to Persons Other than Participants. If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for his affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his estate (unless a prior claim therefor has been made by a duly appointed legal representative), may, if the Committee so directs the Company, be paid to his spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(i) No Liability of Committee Members. No member of the

Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his behalf in his capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each member of the Committee and each other employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith; provided, however, that approval of the Board shall be required for the payment of any amount in settlement of a claim against any such person. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or By-Laws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

(j) Governing Law. The Plan will be administered in accordance with federal laws, or in the absence thereof, the laws of the State of Florida.

(k) Funding. Except as provided under Section 10, no provision of the Plan shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records, or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Holders shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(l) Nontransferability. A person's rights and interest under the Plan, including amounts payable, may not be sold, assigned, donated or transferred or otherwise disposed of, mortgaged, pledged or encumbered except, in the event of a Holder's death, to a designated beneficiary to the extent permitted by the Plan, or in the absence of such designation, by will or the laws of descent and distribution.

(m) Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying, acting or failing to act, and shall not be liable for having so relied, acted or failed to act in good faith, upon any report made by the independent public accountant of the Company and its Subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than himself.

(n) Relationship to Other Benefits. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company or any Subsidiary except as otherwise specifically provided.

(o) Expenses. The expenses of administering the Plan shall be borne by the Company and its Subsidiaries.

(p) Pronouns. Masculine pronouns and other words of masculine gender shall refer to both men and women.

(q) Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings shall control.

## 12. Changes in Capital Structure.

Options, SARs, Restricted Stock Awards, Phantom Stock Unit Awards, Performance Share Unit Awards, and any agreements evidencing such Awards, and Performance Goals, shall be subject to adjustment or substitution, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Awards or as otherwise determined by the Committee to be equitable (i) in the event of changes in the outstanding Stock or in the capital structure of the Company, or of any other corporation whose performance is relevant to the attainment of Performance Goals hereunder, by reason of stock dividends, stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the Date of Grant of any such Award or (ii) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants in the Plan, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. In addition, in the event of any such adjustments or substitution, the aggregate number of shares of Stock available under the Plan shall be appropriately adjusted by



the Committee, whose determination shall be conclusive. Any adjustment in Incentive Stock Options under this Section 12 shall be made only to the extent not constituting a "modification" within the meaning of Section 424(h)(3) of the Code, and any adjustments under this Section 12 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

#### 13. Effect of Change in Control.

(a) In the event of a Change in Control, notwithstanding any vesting schedule provided for hereunder or by the Committee with respect to an Award of Options, SARs, Phantom Stock Units or Restricted Stock, such Option or SAR shall become immediately exercisable with respect to one hundred percent (100%) of the shares subject to such Option or SAR, and the Restricted Period shall expire immediately with respect to one hundred percent (100%) of the Phantom Stock Units or shares of Restricted Stock subject to Restrictions; provided, however, that to the extent that so accelerating the time an Incentive Stock Option may first be exercised would cause the limitation provided in Section 7(f) to be exceeded, such Options shall instead first become exercisable in so many of the next following years as is necessary to comply with such limitation.

(b) In the event of a Change in Control, all incomplete Award Periods in effect on the date the Change in Control occurs shall end on the date of such change, and the Committee shall, (i) determine the extent to which Performance Goals with respect to each such Award Period have been met based upon such audited or unaudited financial information then available as it deems relevant, (ii) cause to be paid to each Participant partial or full Awards with respect to Performance Goals for each such Award Period based upon the Committee's determination of the degree of attainment of Performance Goals, and (iii) cause all previously deferred Awards to be settled in full as soon as possible.

(c) The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provisions for the preservation of Participant's rights under the Plan in any agreement or plan which it may enter into or adopt to effect any such merger, consolidation, reorganization or transfer of assets.

#### 14. Nonexclusivity of the Plan.

Neither the adoption of this Plan by the Board nor the submission of this Plan to the shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

#### 15. Amendments and Termination.

The Board may at any time terminate the Plan. With the express written consent of an individual Participant, the Board may cancel or reduce or otherwise alter the outstanding Awards thereunder if, in its judgment, the tax, accounting, or other effects of the Plan or potential payouts thereunder would not be in the best interest of the Company. The Board may, at any time, or from time to time, amend or suspend and, if suspended, reinstate, the Plan in whole or in part, provided, however, that without further shareholder approval the Board shall not:

(a) Increase the maximum number of shares of Stock which may be issued on exercise of Options, SARs, or pursuant to Restricted Stock Awards, Phantom Stock Unit Awards, or Performance Share Unit Awards, except as provided in Section 12;

(b) Change the maximum Option Price;

(c) Extend the maximum Option Term;

(d) Extend the termination date of the Plan; or

(e) Change the class of persons eligible to receive Awards under the Plan.

\* \* \*

February 23, 1996

159107.3

AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
CAPITAL CITY BANK GROUP, INC.

Pursuant to Sections 607.1003 and 607.1007 of the Florida Business Corporation Act, the Articles of Incorporation of Capital City Bank Group, Inc., a Florida corporation (the "Corporation"), are hereby amended and restated in their entirety as follows:

ARTICLE I

Name, Principal Place of Business and  
Registered Agent

The name of the Corporation is Capital City Bank Group, Inc. The principal place of business of this Corporation shall be 217 North Monroe Street, Tallahassee, Florida 32301. The name of the registered agent is J. Kimbrough Davis at 217 North Monroe Street, Tallahassee, Florida 32301.

ARTICLE II

Purpose

The purpose for which the Corporation is organized is to engage in or transact any and all lawful activities or business for which a corporation may be incorporated under the laws of the State of Florida.

ARTICLE III

Capital Stock

The aggregate number of shares of all classes of capital stock which this Corporation shall have authority to issue is Thirty-Three Million (33,000,000), consisting of (i) Thirty Million (30,000,000) shares of common stock, par value \$.01 per share (the "Common Stock"), and (ii) Three Million (3,000,000) shares of preferred stock, par value \$.01 per share (the "Preferred Stock").

The designation and the preferences, limitations and relative rights of the Common Stock and the Preferred Stock of the Corporation are as follows:

A. Provisions Relating to the Common Stock.

1. Except as otherwise required by law or as may be provided by the resolutions of the Board authorizing the issuance of any class or series of Preferred Stock, as hereinbelow provided, all rights to vote and all voting power shall be vested exclusively in the holders of the Common Stock.

2. Subject to the rights of the holders of the Preferred Stock, the holders of the Common Stock shall be entitled to receive when, as and if declared by the Board, out of funds legally available therefor, dividends payable in cash, stock or otherwise.

3. Upon any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, and after the holders of the Preferred Stock shall have been paid in full the amounts to which they shall be entitled (if any) or a sum sufficient for such payment in full shall have been set aside, the remaining net assets of the Corporation shall be distributed pro rata to the holders of the Common Stock in accordance with their respective rights and interests.

B. Provisions Relating to the Preferred Stock.

1. The Preferred Stock may be issued from time to time in one or more classes or series, the shares of each class or series to have such designations and powers, preferences and rights, and qualifications, limitations and restrictions thereof as are stated and expressed herein and in the resolution or resolutions providing for the issue of such class or series adopted by the Board of Directors as hereinafter prescribed.

2. Authority is hereby expressly granted to and vested in the Board to authorize the issuance of the Preferred Stock from time to time in one or more classes or series, to determine and take necessary proceedings fully to effect the issuance and redemption of any such Preferred Stock and, with respect to each class or series of the Preferred Stock, to fix and state by the resolution or resolutions from time to time adopted providing for the issuance thereof the following:

a. Whether or not the class or series is to have voting rights, full or limited, or is to be without voting rights;

b. The number of shares to constitute the class or series and the designations thereof;

c. The preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations or restrictions thereof, if any, with respect to any class or series;

d. Whether or not the shares of any class or series shall be redeemable and if redeemable the redemption price or prices, and the time or times at which and the terms and conditions upon which such shares shall be redeemable and the manner of redemption;

e. Whether or not the shares of a class or series shall be subject to the operation of retirement or sinking funds to be applied to the purchase or redemption of such shares for retirement, and if such retirement or sinking fund or funds be established, the annual amount thereof and the terms and provisions relative to the operation thereof;

f. The dividend rate, whether dividends are payable in cash, stock of the Corporation, or other property, the conditions upon which and the times when such dividends are payable, the preference to or the relation to the payment of the dividends payable on any other class or classes or series of stock, whether or not such dividend shall be cumulative or noncumulative, and if cumulative, the date or dates from which such dividends shall accumulate;

g. The preferences, if any, and the amounts thereof which the holders of any class or series thereof shall be entitled to receive upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of the Corporation;

h. Whether or not the shares of any class or series shall be convertible into, or exchangeable for, the shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation and the conversion price or prices or ratio or ratios or the rate or rates at which such conversion or exchange may be made, with such adjustments, if any, as shall be stated and expressed or provided for in such resolution or resolutions; and

i. Such other special rights and protective provisions with respect to any class or series as the Board may deem advisable.

The shares of each class or series of the Preferred Stock may vary from the shares of any other series thereof in any or all of the foregoing respects. The Board may increase the number of shares of the Preferred Stock designated for any existing class or series by a resolution adding to such class or series authorized and unissued shares of the Preferred Stock not designated for any other class or series. The Board may decrease the number of shares of the Preferred Stock designated for any existing class or series by a resolution, subtracting from such series unissued shares of the Preferred Stock, designated for such class or series, and the shares so subtracted shall become authorized, unissued and undesignated shares of the Preferred Stock.

#### ARTICLE IV

##### Existence

The Corporation shall exist perpetually unless sooner dissolved according to law.

#### ARTICLE V

##### Management of the Corporation

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and shareholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by Statute or by these Amended and Restated Articles of Incorporation or the Bylaws of the Corporation, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly called Annual or Special Meeting of Shareholders of the Corporation and may not be effected by any consent in writing by such shareholders.

C. Special Meetings of Shareholders of the Corporation may be called by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) (the "Full Board"), or

by the holders of not less than fifty percent (50%) of all the votes entitled to be cast on any issue at the proposed special meeting if such holders of stock sign, date and deliver to the Corporation's Secretary one or more written demands for the meeting describing the purpose or purposes for which the special meeting is to be held.

#### ARTICLE VI

##### Number of Directors; Vacancies and Removal

A. The initial number of directors of the Corporation shall be seven (7). The number of directors may be either increased or diminished from time to time in the manner provided in the Bylaws, but shall never be less than one (1) nor more than twenty-five (25). Commencing with the 1997 annual meeting of shareholders, the directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third (33 1/3%) of the Full Board. The term of the Class I directors shall terminate on the date of the 1998 annual meeting of shareholders, the term of the Class II directors shall terminate on the date of the 1999 annual meeting of shareholders and the term of the Class III directors shall terminate on the date of the 2000 annual meeting of shareholders. At each annual meeting of shareholders beginning in 1998, successors to the class of directors whose term expires at that annual meeting shall be elected for a three (3) year term. If the number of directors has changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional directors of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director.

B. A director shall hold office until the annual meeting for the year in which his term expires and until his successors shall be elected and shall qualify, subject, however, to the director's prior death, resignation, retirement, disqualification or removal from office. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any vacancy on the Board of Directors, howsoever resulting (including vacancies created as a result of a resolution of the Board of Directors increasing the authorized number of directors), may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director elected to fill a vacancy shall hold office for a term that shall coincide with the term of the class to which such director shall have been elected.

C. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least two-thirds (66 2/3%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors. "Cause" shall be defined as a breach of fiduciary duty involving personal dishonesty, an intentional failure to perform stated duties as a director which results in substantial loss to the Corporation or a willful violation of any law, rule, regulation or final cease and desist order which results in substantial loss to the Corporation.

D. Advance notice of shareholder nominations for the election of directors and of business to be brought by shareholders before any meeting of the shareholders of the Corporation shall be given in the manner provided in Article VII herein and the Bylaws of the Corporation.

#### ARTICLE VII

##### Shareholder Nomination of Director Candidates

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board at an annual or special meeting of shareholders may be made (i) by or at the direction of the Board by any nominating committee of or person appointed by the Board or (ii) by any shareholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the procedures set forth in this Article VII; provided, however, that nominations of persons for election to the Board at a special meeting may be made only if the election of directors is one of the purposes described in the special meeting notice required by Section 607.0705 of the Florida Business Corporation Act. Nominations of persons for election at annual meetings, other than nominations made by or at the direction of the Board, including by any nominating committee, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days nor more than one hundred eighty (180) days in advance of the date of the Corporation's notice of annual meeting provided with respect to the

previous year's annual meeting; provided, however, that if no annual meeting was held in the previous year or the date of the annual meeting has been changed to be more than thirty (30) calendar days earlier than the date contemplated by the previous year's proxy statement, such notice by the shareholder to be timely must be received no later than the close of business on the tenth (10th) day following the date on which notice of the date of the annual meeting is given to shareholders or made public, whichever first occurs. Such shareholder's notice to the Secretary shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director at the annual meeting; (i) the name, age, business address and residence address of the proposed nominee, (ii) the principal occupation or employment of the proposed nominee, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the proposed nominee, and (iv) any other information relating to the proposed nominee that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as amended; and (b) as to the shareholder giving the notice of nominees for election at the annual meeting, (i) the name and record address of the shareholder, and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the shareholder. The Corporation may require any proposed nominee for election at an annual or special meeting of shareholders to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein. The Chairman of the meeting shall, if the facts warrant, determine and declare in the meeting that a nomination was not made in accordance with the requirements of this Article VII, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

#### ARTICLE VIII

##### Acquisition Offers

The Board of Directors of the Corporation shall consider all factors it deems relevant in evaluating any proposed tender offer or exchange offer for the Corporation or any Subsidiary's stock, any proposed merger or consolidation of the Corporation or a Subsidiary with or into another entity and any proposal to purchase or otherwise acquire all or substantially all the assets of the Corporation or any Subsidiary. The Board of Directors shall evaluate whether the proposal is in the best interests of the Corporation and its subsidiaries by considering the best interests of the shareholders and other factors the directors determine to be relevant, including the social, legal and economic effects on employees, customers, depositors, and communities served by the Corporation and any Subsidiary. The Board of Directors shall evaluate the consideration being offered to the shareholders in relation to the then current market value of the Corporation or any Subsidiary in a freely negotiated transaction, and the Board of Directors' estimate of the future value of stock of the Corporation or any Subsidiary as an independent entity.

#### ARTICLE IX

##### Indemnification

Provided the person proposed to be indemnified satisfies the requisite standard of conduct for permissive indemnification by a corporation as specifically set forth in the applicable provisions of the Florida Business Corporation Act (currently, Sections 607.0850(1) and (2) of the Florida Statutes), as the same may be amended from time to time, the Corporation shall indemnify its officers and directors, and may indemnify its employees and agents, to the fullest extent permitted by the provisions of the Florida Business Corporation Act and the Bylaws of the Corporation, as the same may be amended and supplemented, from and against any and all of the expenses or liabilities incurred in defending a civil or criminal proceeding, or other matters referred to in or covered by said provisions, including advancement of expenses prior to the final disposition of such proceedings and amounts paid in settlement of such proceedings, both as to action in his or her official capacity and as to action in another capacity while an officer, director, employee or other agent. The indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of shareholders or Disinterested Directors or otherwise. Such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs and personal representatives of such a person. Except as otherwise required by law, an adjudication of liability shall not affect the right to indemnification for those indemnified.

#### ARTICLE X

##### Amendment

The Corporation reserves the right to amend or repeal any provision

contained in these Amended and Restated Articles of Incorporation in the manner prescribed by the laws of the State of Florida and all rights conferred upon shareholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of these Amended and Restated Articles of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any votes of the holders of any class or series of the stock of this Corporation required by law or by these Amended and Restated Articles of Incorporation, the affirmative vote of (a) the holders of at least two-thirds (66 2/3%) of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class; or (b) a majority of "Disinterested Directors", as defined in Florida Statutes Section 607.0901(1)(h) as in effect on the date hereof, and the holders of at least a majority of the voting power of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal any of Articles V, VI, VII, VIII, IX and X.

IN WITNESS WHEREOF, the undersigned, for the purpose of amending and restating the Corporation's Articles of Incorporation pursuant to the laws of the State of Florida, has executed these Amended and Restated Articles of Incorporation as of May 1, 1996.

CAPITAL CITY BANK GROUP, INC.

/S/ William G. Smith, Jr.  
William G. Smith, Jr.  
President

CERTIFICATE  
REAMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
CAPITAL CITY BANK GROUP, INC.

Capital City Bank Group, Inc., a Florida corporation (the "Corporation"), hereby certifies, pursuant to and in accordance with Section 607.1007 of the Florida Business Corporation Act for the purpose of filing its Amended and Restated Articles of Incorporation (the "Amended and Restated Articles") with the Department of State of the State of Florida, that:

1. The name of the Corporation is Capital City Bank Group, Inc.

2. The Amended and Restated Articles contain certain amendments to the Corporation's Articles of Incorporation which require shareholder approval, and the Amended and Restated Articles were unanimously adopted and approved by the Corporation's Board of Directors and, pursuant to Sections 607.0725(6) and 607.1003(5)(b) of the Florida Statutes, by the holders of two-thirds (66 %) of the issued and outstanding shares of the Corporation's Common Stock of the Corporation, which was sufficient for approval and which was the only class of capital stock authorized to vote on such issue, as of April 30, 1996.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of May 1, 1996.

CAPITAL CITY BANK GROUP, INC.

By: William G. Smith, Jr.  
William G. Smith, Jr.  
President