CAPITAL CITY BANK GROUP INC
Form DEF 14A
March 06, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of**

**the Securities Exchange Act of 1934**

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

Check the appropriate box:

| | |
|---|---|
| o | Preliminary Proxy Statement |
| o | **Confidential, For Use of the Commission Only (as permitted by Rule 14A-6(E)(2))** |
| x | Definitive Proxy Statement |
| o | Definitive Additional Materials |
| o | Soliciting Material Pursuant to § 240-14a-12 |

**CAPITAL CITY BANK GROUP, INC.**

(Exact name of Registrant as specified in its charter)

(Name of Person(s) Filing Proxy
Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Amount previously paid:
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(2) Form, Schedule or Registration Statement No:
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**Notice of**
**2015 Annual Meeting of Shareowners**
**and Proxy Statement**

217 North Monroe Street
Tallahassee, Florida 32301

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**LETTER TO SHAREOWNERS**

217 North Monroe Street
Tallahassee, Florida 32301

March 6, 2015

Dear Fellow Shareowners:

Please join us for our 2015 Annual Shareowners Meeting at 10:00 a.m., local time, on Tuesday, April 28, 2015, at the Augustus B. Turnbull III Florida State Conference Center, 555 West Pensacola Street, Tallahassee, Florida 32301. I look forward to this opportunity to share highlights from 2014 and discuss near- and longer-term plans for Capital City. I will also be calling for a vote on two important matters.

As a valued Capital City Bank supporter, your vote is important and your Board of Directors encourages you to let your voice be heard. Proxy materials are enclosed for your convenience and are accessible at ***www.proxyvote.com*** along with the 2014 Annual Report. We are distributing Proxy Materials online rather than mailing printed copies as it allows us to expedite delivery to our shareowners and offers the lower-cost, more environmentally responsible option. You will not receive printed copies unless you request them by following the instructions contained in the Notice of Internet Availability of Proxy Materials.

Whether or not you are able to attend the meeting in person, I encourage you to vote as soon as possible. Voting your proxy ensures your representation at the meeting, and we offer several methods of voting for your convenience: by telephone, online at ***www.proxyvote.com*** or via mailed proxy card if you received paper copies of your materials.

After 51 years of service to Capital City and its affiliated companies, Duby Ausley will be retiring from the Capital City Bank Group Board. Since 1964, Duby has been a member of the Capital City family with his board membership and his service as President of Capital City Bank from June 1975-February 1979 and Chairman of Capital City Bank from 1979 to 1982. Duby was an initial member of the Capital City Bank Group Board in 1982, serving as our Chairman from 1982 to 2003. The Ausley family's association with Capital City began with our founding in 1895 by Duby's great grandfather, George W. Saxon, and continues today with his son, Dan, as a member of the Capital City Bank Board. Capital City has been blessed to have his leadership and counsel and I count him among my closest friends and advisors.

Thank you for your vote and for your continued support. I look forward to seeing you in April and hope you will be able to join us for light refreshments at 9:30 a.m. before the meeting begins.

Your banker,

**William G. Smith, Jr.**

Chairman, President,

and Chief Executive Officer

**NOTICE OF ANNUAL MEETING OF SHAREOWNERS**

**BUSINESS**

(1) Vote on three Class III nominees for election to the Board of Directors;

(2) Ask for ratification of the appointment of Ernst & Young LLP as our independent registered certified public accounting firm for the current fiscal year; and

(3) Transact other business properly coming before the meeting or any postponement or adjournment of the meeting.

**RECORD DATE**

Shareowners owning Capital City Bank Group shares at the close of business on February 27, 2015, are entitled to notice of, attend, and vote at the meeting. A list of these shareowners will be available at the Annual Meeting and for 10 days before the Annual Meeting between the hours of 9 a.m. and 5 p.m., Eastern Time, at our principal executive offices at 217 North Monroe Street, Tallahassee, Florida 32301.

**TIME**

10:00 a.m., local time, April 28, 2015

**PLACE**

Augustus B. Turnbull III Florida State Conference Center
555 West Pensacola Street
Tallahassee, Florida 32301

**VOTING**

Even if you plan to attend the meeting in Tallahassee, Florida, please provide us your voting instructions in one of the following ways as soon as possible:

Use the Internet address on the Notice of Internet Availability of Proxy Materials or the proxy card;

Use the toll-free number on the proxy card, if you received one. You can also find the toll-free number to vote your shares when you access the Internet address on the Notice of Internet Availability of Proxy Materials; or

Mark, sign, and date the proxy card and return in the enclosed postage-paid envelope. This option is available only to those shareowners who have received a paper copy of a proxy card by mail.

*By Order of the Board of Directors*

J. Kimbrough Davis
Executive Vice President, Chief Financial Officer, and Corporate Secretary

Tallahassee, Florida
March 6, 2015

**Important Notice Regarding the Availability of Proxy Materials for the Shareowners' Meeting to be Held on April 28, 2015.** The Proxy Statement and the Annual Report are available at: *www.proxyvote.com.*

## PROXY STATEMENT – GENERAL INFORMATION

### Why am I receiving these Proxy Materials?

We are providing these Proxy Materials ("Proxy Materials") in connection with the solicitation by the Board of Directors (the "Board") of Capital City Bank Group, Inc., a Florida corporation ("Capital City"), of proxies to be voted at our 2015 Annual Meeting of Shareowners and at any adjournments or postponements of the Annual Meeting.

We will hold our 2015 Annual Meeting at 10:00 a.m., local time, Tuesday, April 28, 2015, at the Augustus B. Turnbull III Florida State Conference Center, 555 West Pensacola Street, Tallahassee, Florida 32301.

We are making these Proxy Materials available to our shareowners on or about March 6, 2015.

At Capital City, and in this Proxy Statement, we refer to our employees as "associates." Also in the Proxy Statement, we refer to Capital City as the "Company," "we," or "us" and to the 2015 Annual Meeting as the "Annual Meeting."

### Why did I receive a Notice of Internet Availability of Proxy Materials in the mail instead of a paper copy of the Proxy Materials?

This year, we are again pleased to be using the U.S. Securities and Exchange Commission ("SEC") rule that allows companies to furnish their Proxy Materials over the Internet. As a result, we are mailing to our shareowners a Notice of Internet Availability of Proxy Materials instead of a paper copy of the Proxy Materials. In past years, some of our shareowners received a paper copy of the Proxy Materials. This year, however, no shareowner will receive a paper copy of the Proxy Materials by mail unless you request it. All shareowners will have the ability to access the Proxy Materials over the Internet.

### Why didn't I receive a Notice of Internet Availability of Proxy Materials in the mail?

We are providing a Notice of Internet Availability of Proxy Materials by e-mail to those shareowners who have previously elected delivery of the Proxy Materials electronically. Those shareowners should have received an e-mail containing a link to the website where those materials are available and a link to the proxy voting website.

### How can I access the Proxy Materials over the Internet?

Your Notice of Internet Availability of Proxy Materials or proxy card will contain instructions on how to:

- View our Proxy Materials for the Annual Meeting on the Internet at *www.proxyvote.com*; and

· Instruct us to send our future Proxy Materials to you by e-mail.

Choosing to access your future Proxy Materials electronically will help us conserve natural resources and reduce the costs of printing and distributing our Proxy Materials. If you choose to access future Proxy Materials electronically, you will receive an e-mail with instructions containing a link to the website where those materials are available and a link to the proxy voting website. Your election to receive a Notice of Internet Availability of Proxy Materials by e-mail will remain in effect until you terminate it.

**How may I obtain a paper copy of the Proxy Materials?**

To obtain a paper copy of the Proxy Materials, please follow the instructions contained on your Notice of Internet Availability of Proxy Materials.

**What is being voted upon?**

You are being asked to vote on three Class III nominees for election to the Board of Directors and to ratify our appointment of Ernst & Young LLP as our independent registered certified public accounting firm for 2015. None of the proposals will create appraisal or dissenters’ rights.

**How does the Board recommend that I vote?**

Our Board recommends that you vote your shares **FOR** each of the nominees for election to the Board and **FOR** the ratification of the appointment of our independent registered public accounting firm.

**Could other matters be decided at the Annual Meeting?**

We are not aware of any matters to be presented at the Annual Meeting other than those referred to in this Proxy Statement. If other matters are properly presented at the Annual Meeting, the holders of the proxies (those persons named on your proxy card) will have the discretion to vote on those matters for you.

**Who can vote?**

All shareowners of record at the close of business on the record date of February 27, 2015 are entitled to receive these Proxy Materials and to vote at the Annual Meeting. On that date, there were 17,520,576 shares of our common stock outstanding and entitled to vote.

**How many votes does each share have?**

Each share has one vote. For the proposals scheduled to be voted upon at the Annual Meeting, withheld votes on directors, abstentions, and shares held by a broker that the broker fails to vote are all counted to determine a quorum, but are not counted for or against the matters being considered; however, pursuant to our Bylaws, if a director nominee in an uncontested election does not receive at least a majority of the votes cast at any meeting for the election of directors at which a quorum is present, the director must tender his or her resignation to the Board, as described under the heading "Corporate Governance - Director Elections." There is no cumulative voting.

**How many votes are required to have a quorum?**

In order for us to conduct the Annual Meeting, a majority of the shares entitled to vote must be present in person or by proxy.

**How many votes are required to elect directors and to ratify Ernst & Young's appointment?**

Directors are elected (Proposal No. 1) by a plurality of the votes cast. “Plurality” means that the nominees receiving the largest number of votes cast are elected as directors up to the maximum number of directors who are nominated to be elected at the meeting. At our Annual Meeting, the maximum number of directors to be elected is three. Although our directors are elected by plurality, our Bylaws provide that if a director nominee in an uncontested election does not receive at least a majority of the votes cast at any meeting for the election of directors at which a quorum is present, the director must tender his or her resignation to the Board. Votes withheld have no legal effect.

Ernst & Young’s appointment (Proposal No. 2) will be ratified if the affirmative votes cast by the shareowners present or represented at the Annual Meeting and entitled to vote on the matter exceed the votes cast in opposition.

**What is the difference between holding shares as a shareowner of record and as a beneficial owner?**

Many of our shareowners hold their shares through a broker, trustee or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those shares owned beneficially.

- **Shareowner of Record.** If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, you are considered, with respect to those shares, the “shareowner of record.” As the shareowner of record, you have the right to grant your voting proxy directly to us or to a third party, or to vote in person at the Annual Meeting.

- **Beneficial Owner.** If your shares are held in a brokerage account, by a trustee or, by another nominee, you are considered the “beneficial owner” of those shares. As the beneficial owner of those shares, you have the right to direct your broker, trustee, or nominee how to vote and you also are invited to attend the Annual Meeting. However, because a beneficial owner is not the shareowner of record, you may not vote these shares in person at the Annual Meeting unless you obtain a “legal proxy” from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the Annual Meeting.

**How do I vote my shares in person at the Annual Meeting?**

Shares held in your name as the shareowner of record may be voted in person at the Annual Meeting. Shares for which you are the beneficial owner but not the shareowner of record may be voted in person at the Annual Meeting only if you obtain a legal proxy from the broker, trustee, or other nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the Annual Meeting, we recommend that you vote by proxy as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.

The vote you cast in person will supersede any previous votes that you submitted, whether by Internet, phone, or mail.

**How do I vote my shares in the 401(k) plan?**

If you are an associate who participates in Capital City's 401(k) Plan, you may instruct the Plan trustee on how to vote your shares in the Plan by mail, by telephone, or on the Internet as described above, except that, if you vote by mail, the card that you use will be a voting instruction card rather than a proxy card. If you own shares through the Plan and you do not vote, the Plan trustee will vote the shares in the same proportion as other Plan participants vote their Plan shares.

**How can I vote my shares without attending the Annual Meeting?**

Whether you hold shares directly as a shareowner of record or beneficially, you may direct how your shares are voted without attending the Annual Meeting. You may give voting instructions by the Internet or by telephone. If you requested and received a paper copy of a proxy card by mail, you may vote by mail. Instructions are on the Notice of Internet Availability of Proxy Materials or the proxy card.

Whether you provide voting instructions by the Internet or by telephone, or vote by mail, you are designating certain individuals to vote on your behalf as your legal proxy ("Proxy"). We have designated Bethany H. Corum and Dale A. Thompson each as a Proxy. The Proxies will vote all valid voting instructions and proxy cards that are delivered in response to this solicitation, and not later revoked, in accordance with the instructions given by you.

**How will my voting instructions be treated?**

If you provide specific voting instructions, your shares will be voted as instructed.

If you hold shares as the shareowner of record and sign and return a proxy card or vote by telephone or Internet without giving specific voting instructions, then your shares will be voted as recommended by our Board of Directors.

If you are the beneficial owner of shares held through a broker, trustee, or other nominee, and that nominee has discretion to vote your shares on a particular proposal and you do not give instructions to that nominee on how you want your shares voted, then generally your nominee can vote your shares on certain “routine” matters. At our Annual Meeting, only Proposal No. 2 to ratify the Company’s auditors is considered routine, which means that your broker, trustee, or other nominee can vote your shares on Proposal No. 2 if you do not timely provide instructions to vote your shares.

If you are the beneficial owner of shares held through a broker, trustee, or other nominee, and that nominee does not have discretion to vote your shares on a particular proposal and you do not give your broker instructions on how to vote your shares, then the votes will be considered broker nonvotes. A “broker nonvote” will be treated as unvoted for purposes of determining approval for the proposal and will have the effect of neither a vote for nor a vote against the proposal.

**What is the deadline for voting my shares?**

If you hold shares as the shareowner of record, then your vote by proxy must be received before 11:59 p.m., Eastern Time, on April 27, 2015 (the day before the Annual Meeting).

If you are the beneficial owner of shares held through a broker, trustee, or other nominee, please follow the instructions provided by your broker, trustee, or other nominee.

**Can I change my vote?**

If you are a shareowner of record, you may revoke your proxy by submitting a later proxy or by written request received by our Corporate Secretary before the Annual Meeting. You may also revoke your proxy at the Annual Meeting and vote in person. If you are the beneficial owner of shares held through a broker, trustee, or other nominee, you should review the information provided to you by the holder of record that explains how to revoke previously given instructions.

**Who pays for soliciting proxies?**

Proxies will be solicited from our shareowners by mail or e-mail. We will pay all expenses in connection with the solicitation, including postage, printing and handling, and the expenses incurred by brokers, custodians, nominees and fiduciaries in forwarding proxy material to beneficial owners. We may hire Alliance Advisors, L.L.C. to assist in the distribution and solicitation of proxies for a fee of approximately $12,000, plus reasonable expenses. It is possible that our directors and officers and other associates may make further solicitations personally or by telephone, facsimile, mail, or e-mail. Our directors and officers and other associates will receive no additional compensation for any such further solicitations.

**What does it mean if I get more than one Notice of Internet Availability of Proxy Materials or more than one paper copy of the Proxy Materials?**

You will receive a Notice of Internet Availability of Proxy Materials or proxy card for each account you have. Please vote proxies for all accounts to ensure that all your shares are voted.

**Where can I find voting results of the Annual Meeting?**

We will announce preliminary voting results at the Annual Meeting and publish preliminary, and if available, final voting results in a current report on Form 8-K filed within four business days after our Annual Meeting.

**CORPORATE GOVERNANCE**

**GOVERNING PRINCIPLES**

We are committed to maintaining a business atmosphere where only the highest ethical standards and integrity prevail. An unwavering adherence to high ethical standards provides a strong foundation on which our business and reputation can thrive, and is integral to creating and sustaining a successful, high-caliber company.

**INDEPENDENT DIRECTORS**

Our common stock is listed on the Nasdaq Global Select Market. Nasdaq requires that a majority of our directors be "independent," as defined by Nasdaq's rules. Generally, a director does not qualify as an independent director if the director or a member of a director's immediate family has had in the past three years certain relationships or affiliations with us, our external or internal auditors, or other companies that do business with us. Our Board has adopted categorical independence standards that include all objective standards of independence set forth in the Nasdaq rules. The categorical independence standards are posted to the Corporate Governance section of our website, *www.ccbg.com*. Based on these standards, our Board has affirmatively determined that the following current directors, constituting a majority of our directors, are independent: DuBose Ausley, Allan G. Bense, Frederick Carroll, III, Cader B. Cox, III, J. Everitt Drew, John K. Humphress, Lina S. Knox, and Henry Lewis III.

**CORPORATE GOVERNANCE GUIDELINES**

The Board has adopted Corporate Governance Guidelines that give effect to the Nasdaq corporate governance listing standards and various other corporate governance matters.

**INDEPENDENT DIRECTOR MEETINGS IN EXECUTIVE SESSIONS**

Our independent directors have established a policy to meet separately without any Company associates present in regularly scheduled executive sessions at least twice annually, and at such other times as may be deemed appropriate by our independent directors. Any independent director may call an executive session of independent directors at any time. In 2014, the independent directors met in an executive session five times.

**BOARD LEADERSHIP**

The Board has no policy with respect to separation of the positions of Chairman and CEO or with respect to whether the Chairman should be a member of management or a nonassociate director, and believes that these are matters that should be discussed and determined by the Board from time to time. When the Chairman of the Board is a member of management or is otherwise not independent, the non-associate directors elect a lead director, which we discuss below. Currently, William G. Smith, Jr. serves as our Chairman and CEO. Given the fact that Mr. Smith is tasked with the responsibility of implementing our corporate strategy, we believe he is best suited for leading discussions regarding performance relative to our corporate strategy, and these discussions represent a significant portion of our Board meetings.

**LEAD DIRECTOR**

The independent directors of our Board of Directors annually elect an independent director to serve in a lead capacity. Although elected annually, the lead director is generally expected to serve for more than one year.

Mr. Drew serves as our lead director. The lead director’s duties, which are listed in a Board approved charter, include, among others, presiding at all meetings of the Board at which the Chairman is not present, calling meetings of the independent directors, coordinating with the Chairman the planning of meeting agenda items, and serving as an independent point of contact for shareowners wishing to communicate with the Board other than through the Chairman. We have posted all of the lead director duties on the Lead Director Charter section of our website, *www.ccbg.com*.

**RISK MANAGEMENT**

The Board believes that risk management is an important component of the Company’s corporate strategy. While we assess specific risks at our committee levels, the Board, as a whole, oversees our risk management process, and discusses and reviews with management major policies with respect to risk assessment and risk management. The Board is regularly informed through committee reports about our risks. In addition, we have an Enterprise Risk Oversight Committee, which reports to the Board at least twice per year. The Enterprise Risk Oversight Committee serves to assist the Board in establishing and monitoring key risks for the Company, and meets at least on a quarterly basis.

**SHAREOWNER COMMUNICATIONS**

Our Corporate Governance Guidelines provide for a process by which shareowners may communicate with the Board, a Board committee, the independent directors as a group, or individual directors. Shareowners who wish to communicate with the Board, a Board committee, or any other directors or individual directors may do so by sending written communications to the address below:

Capital City Bank Group, Inc.

c/o Corporate Secretary

217 North Monroe Street

Tallahassee, Florida 32301

Communications will be compiled by our Corporate Secretary and submitted to the Board, a committee of the Board, or the appropriate group of directors or individual directors, as appropriate, at the next regular meeting of the Board. The Board has requested that the Corporate Secretary submit to the Board all communications received, excluding those items that are not related to board duties and responsibilities, such as: mass mailings, job inquiries, resumes, advertisements, solicitations, and surveys.

**CODES OF CONDUCT AND ETHICS**

The Board has adopted Codes of Conduct applicable to all directors, officers, and associates, and a Code of Ethics applicable to our Chief Executive Officer and our financial and accounting officers, all of which are available, without charge, upon written request to:

Capital City Bank Group, Inc.

c/o Corporate Secretary

217 North Monroe Street

Tallahassee, Florida 32301

These codes are designed to comply with Nasdaq and SEC requirements. We will disclose any amendments to, or waivers from, the Code of Ethics on our website (*www.ccbg.com*) within four business days of such determination.

**BOARD AND COMMITTEE EVALUATIONS**

The Corporate Governance and Nominating Committee uses a variety of methods to annually evaluate the Board as a whole and its committees. In most years, the Corporate Governance and Nominating Committee uses written questionnaires for the evaluation. Directors submit completed questionnaires to the Chair of the Corporate Governance and Nominating Committee, who summarizes the results without attribution. The full Board discusses the summary of the Board evaluation, and each committee discusses the summary of its own evaluation. In other years, the evaluation is conducted by the Corporate Governance and Nominating Committee by sending each director a series of questions for the director to consider. The evaluation is then conducted verbally in executive session led by the Chair of the Corporate Governance and Nominating Committee.

**DIRECTOR NOMINATING PROCESS**

The Corporate Governance and Nominating Committee annually reviews and makes recommendations to the full Board regarding the composition and size of the Board so that the Board consists of members with the proper expertise, skills, attributes, and personal and professional backgrounds needed by the Board, consistent with applicable Nasdaq and regulatory requirements.

The Corporate Governance and Nominating Committee believes that all directors, including nominees, should possess the highest personal and professional ethics, integrity, and values, and be committed to representing the long-term interests of our shareowners. The Corporate Governance and Nominating Committee will consider criteria including the nominee’s current or recent experience as a senior executive officer, whether the nominee is independent, as that term is defined in Rule 5605(a)(2) of the Nasdaq listing standards, the business experience currently desired on the Board, geography, the nominee’s banking industry experience, and the nominee’s general ability to enhance the overall composition of the Board. The Corporate Governance and Nominating Committee does not have a formal policy on diversity; however, the Board and the Corporate Governance and Nominating Committee believe that it is essential that the Board members represent diverse viewpoints and generally considers this issue during the annual board and committee evaluation process.

Our Corporate Governance and Nominating Committee identifies nominees for directors primarily based upon suggestions from shareowners, current directors, and executives. The Chair of the Corporate Governance and Nominating Committee and at least one other member of the Corporate Governance and Nominating Committee interviews director candidates. The full Board formally nominates candidates for director to be included in the slate of directors presented for shareowner vote based upon the recommendations of the Corporate Governance and Nominating Committee following this process.

**DIRECTOR SERVICE ON OTHER BOARDS**

To ensure that our directors can provide sufficient time and attention to the Company, our directors may not serve on more than three other boards of directors of public companies in addition to our Board.

**SUCCESSION PLANNING**

The Board plans for succession to the position of Chief Executive Officer as well as certain other senior management positions. To assist the Board, William G. Smith, Jr., our Chairman, President, and CEO, annually provides the Board with an assessment of senior managers and of their potential to succeed him. He also provides the Board with an assessment of persons considered potential successors to certain other senior management positions. The Corporate Governance and Nominating Committee and our independent directors in an executive session annually review this updated assessment. In addition, the Board interviews members of senior management who are potential successors to our executive management.

**CHANGE IN DIRECTOR OCCUPATION**

A director whose principal occupation or business association changes substantially during the director's tenure must tender a resignation for consideration by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will recommend to the Board the action, if any, to be taken with respect to the resignation.

**DIRECTOR ELECTIONS**

Our Bylaws provide that in an uncontested election, if a nominee for director does not receive at least a majority of the votes cast at any meeting for his or her election at which a quorum is present, then the director must promptly tender his or her resignation to the Board. The Corporate Governance and Nominating Committee would then recommend to the Board whether to accept or reject the tendered resignation, or whether other action should be taken. The Board will act on the tendered resignation and publicly disclose its decision and the rationale behind the decision within 90 days from the date of the certification of the election results. If a director's resignation is not accepted by the Board, then such director will continue to serve the remainder of the director's term. If a nominee's resignation is accepted by the Board, then the Board, in its sole discretion, may fill any remaining vacancy or decrease the size of the Board. To be eligible to be a nominee for election or reelection as our director, a person must deliver to our Corporate Secretary a written agreement that such person will abide by these requirements.

**BOARD AND COMMITTEE MEMBERSHIP**

**DIRECTOR ATTENDENCE**

Our Board met 13 times in 2014. All of our directors attended at least 75 percent of the total aggregate number of meetings of the Board and Committees on which they served. We expect all directors to attend our Annual Meeting. All directors, who were directors at the time of our Annual Meeting in 2014, attended the 2014 Annual Meeting.

**COMMITTEES OF THE BOARD**

In 2014, our Board of Directors had three standing committees: Audit, Compensation, and Corporate Governance and Nominating. The Board has adopted written charters for each of its standing committees. The Audit, Compensation, and Corporate Governance and Nominating Committee charters are published on the Corporate Governance section of our website at *www.ccbg.com.* As of February 27, 2015, the committee composition was as follows:

**Corporate Governance
and Nominating**

| **Name** | **Audit** | **Compensation** | |
|---|---|---|---|
| DuBose Ausley | | Member | Member |
| Allan G. Bense[1] | Member | Member | |
| Frederick Carroll, III[1] | Chair | | |
| Cader B. Cox, III | | Chair | Member |
| J. Everitt Drew[1] | Member | Member | |
| John K. Humphress[1] | Member | | Chair |
| Lina S. Knox | | | Member |
| Henry Lewis III | | | Member |

(1) Qualifies as an Audit Committee financial expert.

***Audit Committee***

The Audit Committee met 13 times in 2014. Our Board has determined that Frederick Carroll, III, Chairman of the Audit Committee, Allan G. Bense, John K. Humphress, and J. Everitt Drew are each an “audit committee financial expert” as defined by the SEC.

Management has the primary responsibility for our financial statements and reporting process, including the systems of internal controls and reporting. Our independent auditors are responsible for performing an independent audit of our consolidated financial statements in accordance with U.S. generally accepted auditing standards, issuing a report thereon, and annually opining on the effectiveness of our internal control over financial reporting. The Audit Committee monitors the integrity of our financial reporting process, system of internal controls, and the independence and performance of our independent and internal auditors.

In addition, the Audit Committee: (a) monitors and reviews our compliance with Section 112 of the Federal Deposit Insurance Corporation Improvement Act of 1991 and reviews regulatory reports; (b) reviews independent auditors' report on our financial statements, significant changes in accounting principles and practices, significant proposed adjustments, and any unresolved disagreements with management concerning accounting or disclosure matters; and (c) recommends independent auditors and reviews their independence and qualifications, services, fees, and the scope and timing of audits.

***Compensation Committee***

The Compensation Committee met eight times in 2014. The Compensation Committee: (a) reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluates the performance of the Chief Executive Officer in light of those goals and objectives, and sets the Chief Executive Officer's base salary, short-term incentive compensation, and long-term incentive compensation based on this evaluation; (b) reviews and approves base salary, short-term incentive compensation, and long-term incentive compensation of our executive officers; (c) reviews the compensation of our senior management team other than our executive officers; (d) reviews incentive compensation arrangements to assess relationship with risk management policies and practices; (e) reviews and approves benefits, including retirement benefits and perquisites of our executive officers; (f) reviews and approves employment agreements, severance agreements, and change-in-control agreements for executive officers; (g) evaluates and recommends the appropriate level of director compensation, including compensation for service as a member or chair of a Board committee; and (h) establishes and reviews stock ownership guidelines for directors and executive officers.

***Corporate Governance and Nominating Committee***

The Corporate Governance and Nominating Committee met three times in 2014. The Corporate Governance and Nominating Committee: (a) develops and reviews background information for candidates for the Board of Directors, including candidates recommended by shareowners, and makes recommendations to the Board of Directors about these candidates; (b) evaluates the performance of current Board members proposed for reelection; (c) recommends to the Board for approval a slate of nominees for election to the Board; (d) develops plans for our managerial succession; (e) develops, implements, and monitors policies and practices relating to corporate governance; (f) coordinates director orientation and appropriate continuing education programs for directors; (g) oversees the annual self-assessment of the Board and Board Committees; and (h) reviews all shareowner proposals.

**DIRECTOR COMPENSATION**

**Compensation elements**

We currently have eight nonassociate directors who qualify for compensation for Board service. In 2014, the Compensation Committee engaged Blanchard Consulting to measure Capital City's board compensation against the same peer group used to measure executive management compensation (peer group listed on page 26). Additionally, the Compensation Committee amended the Company's Compensation Philosophy to include targeting total annual fees, including retainer, equity compensation, board meeting fees, committee chairmen fees, committee meeting fees, and Lead Director fees for our directors at the 50th percentile of our selected peer group unless an exemption is stated by the Compensation Committee due to Company performance or market demand. Based on results from a study provided by Blanchard Consulting, several changes in compensation for 2015 were made and are reflected below. The primary change was that the Compensation Committee decided to implement committee meeting fees in lieu of committee retainers. While the Compensation Committee deems attendance by directors to be mandatory at all meetings, having a variable compensation structure better aligns compensation with the volume of business conducted by each committee. The elements of director compensation include:

***Cash Compensation***

***Basic Annual Retainer.*** The basic annual retainer is $12,000. There has been no change since 2006.

***Audit Committee.*** In 2014, members of the Audit Committee received an annual fee of $7,000 and the chairman of the Audit Committee received an annual chairman's fee of $7,000. Beginning in 2015, members of the Audit Committee will receive a committee meeting fee of $750 per meeting attended (in person or telephonically). In addition, the chairman of the Audit Committee will receive an annual fee of $7,000.

***Compensation Committee.*** In 2014, members of the Compensation Committee received an annual fee of $4,000 and the chairman of the Compensation Committee received an annual chairman's fee of $4,000. Beginning in 2015, members of the Compensation Committee will receive a committee meeting fee of $750 per meeting attended (in person or telephonically). In addition, the chairman of the Compensation Committee will receive an annual fee of $6,000.

***Corporate Governance and Nominating Committee.*** In 2014, members of the Corporate Governance and Nominating Committee received an annual fee of $3,000 and the chairman of the Corporate Governance and Nominating Committee received an annual chairman's fee of $3,000. Beginning in 2015, members of the Compensation Committee will receive a committee meeting fee of $750 per meeting attended (in person or telephonically). In addition, the chairman of the Corporate Governance and Nominating Committee will receive an annual fee of $3,000.

***Lead Outside Director Annual Fee.*** In 2014, the Lead Outside Director received an annual fee of $4,000. For 2015, the fee has been increased to $7,000.

***Board Meeting Fees.*** Directors receive $750 for each board meeting and annual strategic meeting attended. There has been no change since 2006.

***Equity Compensation***

***Stock Grant.*** As part of director compensation, in 2014, each nonassociate director earned 100 shares of our common stock per quarter. The stock is issued under the terms of the 2011 Associate Incentive Plan. Beginning in 2015, each nonassociate director earns restricted shares of our common stock valued at $17,500. The restricted shares are granted at the February Compensation Committee meeting and vest on December 31st of the same calendar year. The restricted stock is issued under the terms of the 2011 Associate Incentive Plan. In no event will an award vest in any year that the Company incurs a net loss.

***Director Stock Purchase Plan.*** Directors are also permitted to purchase shares of common stock at a 10% discount from fair market value under the 2011 Director Stock Purchase Plan. During 2014, 10,932 shares were purchased. As of December 31, 2014, there were 86,744 shares of common stock available for issuance to directors under this plan. Purchases under this plan were not permitted to exceed the annual retainer and meeting fees received. Our shareowners adopted the Director Stock Purchase Plan at our 2011 Annual Meeting.

***Perquisites and Other Personal Benefits***

We provide directors with perquisites and other personal benefits that we believe are reasonable, competitive and consistent with our overall director compensation program. The value of the perquisites for each director in the aggregate is less than $10,000.

**Director Compensation Table**

The following table sets forth a summary of the compensation we paid to our directors, other than directors who are also executive officers, in 2014:

| Name | Fees Earned or Paid in Cash ($) | Stock Awards(1) ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|
| **DuBose Ausley** | $ 28,750 | $ 5,559 | $ 0 | $34,309 |
| **Allan G. Bense** | 32,000 | 5,559 | 0 | 37,559 |
| **Frederick Carroll, III** | 35,000 | 5,559 | 0 | 40,559 |
| **Cader B. Cox, III** | 32,000 | 5,559 | 0 | 37,559 |
| **J. Everitt Drew** | 36,750 | 5,559 | 0 | 42,309 |
| **John K. Humphress** | 34,750 | 5,559 | 0 | 40,309 |
| **Lina S. Knox** | 24,750 | 5,559 | 0 | 30,309 |
| **Henry Lewis III** | 24,000 | 5,559 | 0 | 29,559 |

(1) In 2014, we paid each nonassociate director an annual stock grant of 400 shares of our common stock, issued under our 2011 Associate Incentive Plan. The shares were issued quarterly in equal installments. The fair value at the time of each grant was $14.18, $12.93, $14.02, and $14.46. The column represents the fair value of the award as calculated in accordance with U.S. generally accepted accounting principles.

**Stock Ownership Expectations**

We maintain stock ownership guidelines for all independent directors. Under our current guidelines, all independent directors are expected to own our common stock equal in value to 10 times their annual director compensation at the time they were elected. Directors have 10 years from the date they are first appointed or elected to our Board to meet the stock ownership requirement. The Compensation Committee has determined that as of December 31, 2014, all directors, other than Henry Lewis, have met our share ownership expectations or are on track to meet these expectations within the stated time period of 10 years from date of appointment or election.

**PROPOSAL NO. 1 – NOMINEES FOR ELECTION AS DIRECTORS**

**ELECTION OF DIRECTORS**

The Board is divided into three classes, designated Class I, Class II, and Class III. The directors in each class are elected for terms of three years. At the Annual Meeting, the shareowners will elect three Class III directors. The Board proposes the following three nominees for election as directors at the Annual Meeting. Each of the nominees is currently serving as a member of the Board. The proxies will vote, unless instructed otherwise, each valid voting instruction and proxy card for the election of the following nominees as directors.

If a nominee is unable to serve, the shares represented by all valid proxies that have not been revoked will be voted for the election of a substitute as the Board may recommend, or the Board may by resolution reduce the size of the Board to eliminate the resulting vacancy. At this time, the Board knows of no reason why any nominee might be unable to serve.

If the three director nominees are elected, the Board will have no vacancies. Brokers do not have discretion to vote on this proposal without your instructions. If you do not instruct your broker how to vote on this proposal, your broker will deliver a nonvote on this proposal.

***Director Qualifications***

The following paragraphs provide information as of the date of this Proxy Statement about each nominee and each incumbent director not up for re-election in the categories of: age, positions held, principal occupation and business experience for the past five years, and names of other publicly-held companies for which he or she serves as a director or has served as a director during the past five years. While the following paragraphs note certain individual qualifications and skills of our directors that contribute to the Board's effectiveness as a whole, we also believe that all of our nominees and incumbent directors not up for re-election have a reputation for integrity, honesty, and adherence to high ethical standards. They each have demonstrated strong leadership skills, business acumen and an ability to exercise sound judgment, as well as a commitment of service to our shareowners.

***Mandatory Retirement Policy***

The Company's Corporate Governance Guidelines provide for mandatory director retirement at age 72; however, the Board waived this requirement for Mr. Ausley in connection with his nomination and re-election in 2012. Mr. Ausley, who is age 77 and a Class III director, will retire at the Annual Meeting after a lifetime of loyal and distinguished service to the Company. The Board of Directors has reduced the size of the Company's Board of Directors to nine effective upon Mr. Ausley's retirement.

**NOMINEES TO SERVE FOR A THREE-YEAR TERM EXPIRING IN 2018**

**FREDERICK CARROLL, III**

Mr. Carroll, 64, has been a director since 2003. Since 1990, he has been the Managing Partner of Carroll and Company, CPAs, an accounting firm specializing in tax and audit based in Tallahassee, Florida. Mr. Carroll has practiced as a Certified Public Accountant since 1977. Mr. Carroll has a master's degree in accounting. We believe Mr. Carroll's qualifications to sit on our Board include his long and varied business career, including his extensive accounting experience.

**JOHN K. HUMPHRESS**

Mr. Humphress, 66, has been a director since 1994. Since 1973, he has been a shareholder of a public accounting firm, Wadsworth, Humphress & Hollar, P.A. (and its predecessors). We believe Mr. Humphress's qualifications to sit on our Board include his long and diversified business career, including his extensive accounting experience.

**HENRY LEWIS III**

Dr. Lewis, 65, has been a director since 2003. Dr. Lewis is currently Provost and Vice President for Academic Affairs at the American University of Health Sciences since November 2013. From November 2012 through November 2013, Dr. Lewis was a management consultant for The Infrastructure Company. From January 2011 through November 2012, he was the President of Florida Memorial University. Previously, he was Professor and Dean of the College of Pharmacy and Pharmaceutical Sciences at Florida A&M University from 1994 until 2011. He also served as Interim President of Florida A&M in 2002. Prior to Dr. Lewis's appointment to these positions, he served as Dean of the College of Pharmacy and Health Sciences at Texas Southern University from 1990 to 1994. He sits on the Board of Regents of the National Library of Medicine. We believe Dr. Lewis's qualifications to sit on our Board include his experience leading organizations, and his strong skills in government relations and strategic planning.

***The Board of Directors unanimously recommends a vote "FOR" the nominees.***

**CONTINUING DIRECTORS AND EXECUTIVE OFFICERS**

**Continuing Class I Directors (term expiring in 2016)**
**ALLAN G. BENSE**

Mr. Bense, 63, is currently President and CEO of Bense Enterprises, Inc., which is affiliated with companies that have interests in road building, general construction, mechanical contracting, insurance, golf courses, and farming since the early 1980s. He served as Speaker of the Florida House of Representatives from 2004 to 2006. Mr. Bense is the current chairman of the Florida State University Board of Trustees. He is also Chairman of the Board of the James Madison Institute, Chairman of the Bay Economic Alliance, a member of the Florida Council of 100, and a director of Gulf Power Company. We believe Mr. Bense’s qualifications to sit on our Board include his executive leadership and management experience and his operational and financial expertise gained from the successful operation of his own business.

**CADER B. COX, III**

Mr. Cox, 65, has been a director since 1994. From 1976 to 2006, he served as President, and from 2006 until 2013, he served as CEO of Riverview Plantation, Inc., a resort and agricultural company located in Georgia. He currently serves as Chairman of Riverview Plantation, Inc. and an officer and a director of Plantation Precooler, Inc., a large fresh vegetable operation. He is extensively involved in the community, including serving as a board member for The University of Georgia Research Foundation Board, Partner of Camilla Retirement Center, trustee of AgriTrust, and a Board member of University of Georgia Real Estate Foundation Board. We believe Mr. Cox’s qualifications to sit on our Board include his operational and financial expertise gained from the successful operation of his own business, as well as his executive leadership and management experience.

**WILLIAM G. SMITH, JR**.

Mr. Smith, 61, has been a director since 1982. He currently serves as our Chairman, President, and Chief Executive Officer. He was elected Chairman in 2003 and has been President and Chief Executive Officer since 1995. Mr. Smith also serves as Chairman of Capital City Bank, a position he has held since 1995. In addition, Mr. Smith has served as a director of Southern Company since February 2006. Mr. Smith is the first cousin of Mrs. Knox. We believe Mr. Smith’s qualifications to sit on our Board include his more than three decades of banking experience, including more than 20 years as our President and Chief Executive Officer.

**Continuing Class II Directors (term expiring in 2017)**
**THOMAS A. BARRON**

Mr. Barron, 62, has been a director since 1982. He is our Treasurer and was appointed President of Capital City Bank in 1995. We believe Mr. Barron’s qualifications to sit on our Board include his more than three decades of banking experience, including more than 20 years as the President of Capital City Bank.

**J. EVERITT DREW**

Mr. Drew, 59, has been a director since 2003. From 2000 to 2007, he was President of St. Joe Land Company where his duties included overseeing the sale and development efforts of several thousand acres of St. Joe property in northwest Florida and southwest Georgia. Since 2007, Mr. Drew has been President of SouthGroup Equities, Inc., a private real estate investment and development company. We believe Mr. Drew’s qualifications to sit on our Board include his experience as President of St. Joe Land Company, which at the time was the largest landowner in Florida, as well as his operational and financial expertise gained from the successful operation of his own business.

**LINA S. KNOX**

Mrs. Knox, 70, has been a director since 1998. Mrs. Knox has been retired since 1992. A former history teacher at a private college preparatory school in Tallahassee, Mrs. Knox has served on a variety of boards as a civic leader. She has previously served on the board of directors of Alfred B. Maclay School, Goodwood Museum and Gardens and the YMCA. She also served on the vestry of St. Johns Episcopal Church in Tallahassee, Florida. Mrs. Knox is the first cousin of Mr. Smith. There is no arrangement or understanding between Mrs. Knox and Mr. Smith to which she was or is to be selected as a director or nominee. We believe Mrs. Knox’s qualifications to sit on our Board include her extensive historical involvement in the Tallahassee community, including her perspective as a community volunteer and civic leader and someone who is involved day-to-day with issues as they affect our communities. Mrs. Knox’s knowledge of the Tallahassee community is critical to our success in providing community banking services to Tallahassee, our largest market.

**NONDIRECTOR EXECUTIVE OFFICER**
**J. KIMBROUGH DAVIS**

Mr. Davis, 61, was appointed our Executive Vice President and Chief Financial Officer in 1997. He served as Senior Vice President and Chief Financial Officer from 1991 to 1997. In 1998, he was appointed Executive Vice President and Chief Financial Officer of Capital City Bank.

SHARE OWNERSHIP

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") requires our directors and executive officers, and parties owning beneficially more than 10% of our common stock, to file reports with the U.S. SEC to reflect their interests in our common stock. Copies of these reports must be furnished to us.

The following persons filed late reports during the fiscal year ended December 31, 2014: Mr. Bense – one report containing one transaction; and Mr. Ausley – one report containing two transactions. These reports were untimely filed due to administrative oversights.

SHARE OWNERSHIP TABLE

The following table sets forth information, as of February 13, 2015, with respect to the number of shares of our common stock beneficially owned by our directors, executive officers named in the Summary Compensation Table, and all executive officers and directors as a group. The following table also provides information with respect to each person known by us to beneficially own more than 5% of our common stock. As of February 13, 2015, there were 17,520,576 shares of our common stock outstanding.

| **Name** | **Shares Beneficially Owned**[1] | | **Percentage of Outstanding Shares Owned**[2] |
|---|---|---|---|
| **DuBose Ausley** | 408,138 | (3) | 2.33 |
| **Thomas A. Barron** | 182,443 | (4) | 1.04 |
| **Allan G. Bense** | 8,515 | (5) | * |
| **Frederick Carroll, III** | 31,107 | | * |
| **Cader B. Cox, III** | 53,723 | (6) | * |
| **J. Kimbrough Davis** | 85,156 | (7) | * |
| **J. Everitt Drew** | 26,849 | (8) | * |
| **John K. Humphress** | 92,277 | (9) | * |
| **Lina S. Knox** [11] | 71,763 | (10) | * |
| **Henry Lewis III** | 8,650 | | * |
| **Estate of Robert H. Smith** [11]<br>123 South Calhoun Street, Tallahassee, Florida 32301 | 3,061,350 | (12) | 17.47 |
| **William G. Smith, Jr.** [11]<br>Post Office Box 11248, Tallahassee, Florida 32302 | 3,790,733 | (13) | 21.59 |
| **2S Partnership**<br>217 North Monroe Street, Tallahassee, Florida 32301 | 1,049,361 | (14) | 5.99 |
| **All Directors and Executive Officers as a Group (11 Persons)** | 4,759,354 | | 27.11 |

(1) For purposes of this table, a person is deemed to be the beneficial owner of any shares of common stock if he or she has or shares voting or investment power with respect to the shares or has a right to acquire beneficial ownership at any time within 60 days from the record date. "Voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares.

(2) An asterisk in this column means that the respective director or executive officer is the beneficial owner of less than 1% of our common stock.

(3) Includes (i) 145,143 shares held in trust under which Mr. Ausley serves as trustee and has sole voting and investment power; and (ii) 12,500 shares owned by Mr. Ausley's wife, of which he disclaims beneficial ownership. Of the shares of common stock beneficially owned by Mr. Ausley, 125,000 shares are pledged as security.

(4) Includes (i) 15,500 shares held in trusts under which Mr. Barron serves as trustee; (ii) 716 shares held by a trust for which Mr. Barron is the sole trustee and a beneficiary; and (iii) 28,906 shares owned by Mr. Barron's wife, of which he disclaims beneficial ownership. Of the shares of our common stock beneficially owned by Mr. Barron, 121,816 shares are pledged as security.

(5) Includes 300 shares held by the Bense Family Foundation, Inc., which Mr. Bense, as director of the foundation, shares voting and investment power.

(6) Includes 10,500 shares owned by Mr. Cox's wife, of which he disclaims beneficial ownership.

(7) Includes (i) 1,347 shares in accounts for his children for which Mr. Davis and his wife act as custodian; (ii) 31,262 shares owned jointly by Mr. Davis and his wife; and (iii) 6,643 shares owned by Mr. Davis's wife, directly and through an Individual Retirement Account of which he disclaims beneficial ownership.

(8) Includes (i) 25,725 shares owned jointly by Mr. Drew and his wife; and (ii) 1,124 shares in accounts for his children for which Mr. Drew is custodian.

(9) Includes 44,445 shares held by the Humphress Family Trust of which Mr. Humphress is a trustee**.**

(10) Includes 23,000 shares held by the Dean Eugene Knox Lifetime QTIP Trust, of which she disclaims beneficial ownership.

(11) Robert H. Smith, deceased, and William G. Smith, Jr. are brothers, and Lina S. Knox is their first cousin.

(12) Includes (i) 1,049,361 shares held by the 2S Partnership under which the Estate of Robert H. Smith shares voting and investment power with William G. Smith, Jr.; (ii) 1,406 shares owned by Douglas W. Smith, co-executor of the estate; and (iii) 6,803 shares owned by The Elaine W. Smith Revocable Trust for which Douglas W. Smith serves as trustee).

(13) Includes (i) 338,291 shares held in certain trusts under which Mr. Smith has sole voting and investment power as trustee; (ii) 1,049,361 shares held by the 2S Partnership under which Mr. Smith shares voting and investment power; (iii) 60,280 shares owned by Mr. Smith's wife, of which he disclaims beneficial ownership; and (iv) 37,246 shares that may be acquired pursuant to nonvoting stock options that are or will become exercisable within 60 days. Of the shares beneficially owned by Mr. Smith, 1,049,361 shares are also beneficially owned by the Estate of Robert H. Smith.

(14) Of the 1,049,361 shares held by 2S Partnership, all are also beneficially owned by the Estate of Robert H. Smith and William G. Smith, Jr.

## EXECUTIVE OFFICERS AND TRANSACTIONS WITH RELATED PERSONS

### EXECUTIVE OFFICERS

Executive officers are elected annually by the Board at its meeting following the annual meeting of shareowners to serve for a one-year term and until their successors are elected and qualified. Thomas A. Barron and William G. Smith, Jr. serve as directors and executive officers and J. Kimbrough Davis is an executive officer. For information pertaining to the business experience and other positions held by these individuals, see "NOMINEES FOR ELECTION AS DIRECTORS" and "CONTINUING DIRECTORS AND EXECUTIVE OFFICERS."

### PROCEDURES FOR REVIEW, APPROVAL, OR RATIFICATION OF RELATED PERSON TRANSACTIONS

We recognize that related person transactions may raise questions among our shareowners as to whether the transactions are consistent with our best interests and our shareowners' best interests. We generally do not enter into or ratify a related person transaction unless our Board, acting through the Audit Committee or otherwise, determines that the related person transaction is in, or is not inconsistent with, our best interests and our shareowners' best interests. We have adopted a written Related Person Transaction Policy.

Under our procedures, each director, executive officer, and nominee for director submits to our designated compliance officer certain information to assist us in monitoring the presence of related party transactions. On an ongoing basis, and to the best of their knowledge, directors and executive officers are expected to notify our designated compliance officer of any updates to that information. We use our best efforts to follow similar procedures with each shareowner who owns more than 5% of our common stock.

We use our best efforts to have our Audit Committee pre-approve all related person transactions. In the event a related person transaction was not pre-approved by the Audit Committee, the transaction is immediately submitted for the Audit Committee's review for ratification or attempted rescission.

In addition to the policy described above, we circulate a questionnaire each quarter to our directors and executive officers, in which each respondent is required to disclose, to the best of their knowledge, all related person transactions that occurred in the previous quarter.

## TRANSACTIONS WITH RELATED PERSONS

For the year ended December 31, 2014, we have not identified any transactions or series of similar transactions for which we are a party in which the amount involved exceeded or will exceed $120,000 and in which any current director, executive officer, or holder of more than 5% of our capital stock had or will have a direct or indirect material interest other than as follows:

Capital City Bank’s Apalachee Parkway Office is located on land leased from the Smith Interests General Partnership L.L.P. (“SIGP”) in which William G. Smith, Jr., Chairman of the Board, President, and Chief Executive Officer, the Estate of Robert H. Smith, owner of more than 10% of our common stock, and Lina S. Knox, a director, are partners. Each of William G. Smith, Jr. and the Estate of Robert H. Smith own approximately 32% of SIGP interests. Mrs. Knox owns approximately 14% of the SIGP interests. Under a lease agreement expiring in 2024, Capital City Bank makes monthly lease payments to SIGP. Lease payments are adjusted periodically for inflation. Actual lease payments made by Capital City Bank to SIGP in 2014 amounted to $142,000. We believe the terms of this lease are comparable to the terms we would have received if we had leased the property from a third party.

COMPENSATION DISCUSSION AND ANALYSIS

**Executive Overview**

**Capital City's Performance Highlights**

Despite the challenging operating environment over the past several years, we believe that Capital City has positioned itself to take advantage of new opportunities. Consider that:

- § During 2014, our loan portfolio stabilized and we posted four consecutive quarters of growth;
- § We have reduced nonperforming assets 55% in the last two years. We believe our strategy for the disposition of repossessed assets has worked and provided the best possible outcome for our shareowners by selling the repossessed assets at generally higher prices than we believe we could have sold the assets if we opted to immediately liquidate the assets;
- § We were able to return Capital City to profitability without having to accept TARP or by seeking out dilutive capital;
- § Despite a deep and prolonged recession, Capital City earned a cumulative profit of $31.6 million from 2008 through 2014; and
- § We have expense management ingrained in our culture. In fact, our total noninterest expense has declined 14.6% since 2010.

We are Careful with How We Spend our Shareowners' Money

We have an experienced and hardworking management team. In fact, our executive management team has more than 35 years of experience in the banking industry on average. We have been able to retain our management team by strongly linking pay to performance. Compare how our CEO's base salary matches up to the median base salary of the CEOs of our peer group:

(1) The CEO median salary is the median salary of the CEO for our peer group in 2013. In 2014, our Compensation Committee used the 2013 salaries (which were the latest available) to set Mr. Smith's 2014 base salary. The banks that comprise our peer group are listed on page 26.

Mr. Smith’s low base salary does not reflect his performance level, but rather it reflects our conservative compensation philosophy. Superior compensation should be earned through superior performance. Because Capital City’s performance was adversely affected during the recent recession, we significantly limited the raises our named executive officers received.

We Strive to Maximize Shareowner Return

At Capital City, we strive to foster a culture of accountability to our shareowners and work to maximize shareowner return each day. In fact, that is why we refer to our shareholders as “shareowners” – we understand that we work for the benefit of Capital City’s owners. We strive to maximize shareowner return each day. We also believe that a good way to align the interests of our associates with the interests of our shareowners is to encourage our associates to become shareowners. We are proud to offer our associates the ability to purchase shares of Capital City through our 2011 Associate Stock Purchase Plan and through the Capital City 401(k) Plan. We also pay our directors, executive officers and senior management team partially in shares of Capital City stock and maintain robust share ownership requirements for many of these individuals.

Pay for Performance is Integral to the Capital City Culture

Our focus on maximizing shareowner return and the strong ownership culture among our associates makes it much easier to implement a strong pay-for-performance compensation plan for your management team. Your executive officers do not expect to get paid well when Capital City’s results do not meet our expectations. On the other hand, when Capital City’s results are strong, such as our results in 2014, your management team should be rewarded. In 2014, a substantial majority of Mr. Smith’s eligible compensation was “at risk.”

Capital City has been operating in a difficult environment over the past six years. We continue to experience record low interest rates, which have reduced our net interest margin significantly. Real estate prices decreased substantially during the recent recession, which reduced the value of the collateral on loans. As a result, Capital City's performance during the recent recession hasn't always met our expectations. While we can't control general economic factors, we believe that we can ensure that our management team's compensation is in line with Capital City's performance.

(1) CEO Realized Pay is based on the total compensation we reported in the Summary Compensation Table in that year's proxy statement excluding (i) the change in pension value amount because we believe it does not necessarily reflect the actual value received or to be received by the CEO, but rather it reflects an actuarial amount and (ii) any declined bonus awards such as the bonuses Mr. Smith declined in 2010.

Compensation Best Practices

We are proud of the strong corporate governance practices we have implemented. Below we have summarized some of the important policies we have implemented to ensure that we provide compensation to align the interests of our executive officers with the interests of our shareowners. More importantly, we have summarized the compensation practices that we do not have because we believe that these particular practices are not in the best interests of our shareowners.

| What We Do | What We Don't Do |
|---|---|
| **P** Pay for Performance | **O** Employment contracts |
| **P** Balanced mix of fixed and variable pay | **O** Stock option grants |
| **P** Meaningful stock ownership requirements | **O** Separate change in control agreements |
| **P** Use an independent compensation adviser | **O** Excise tax gross-ups upon change in control |
| **P** Allocate a significant portion of pay in stock | **O** Guaranteed bonuses |
| **P** Independent compensation committee | **O** Excessive perquisites |

Compensation and Benefits Strategy

Our compensation strategy provides broad guidance on senior management compensation and more specifically on the compensation of the named executive officers. Our compensation objectives are to provide compensation programs that:

- Align compensation with shareowner value;
- Provide a direct and transparent link between our performance and pay for our CEO and senior management;
- Make wise use of our equity resources to ensure compatibility between senior management and shareowner interests;
- Align the interests through performance-based incentive plans of our executive officers with that of shareowners; and
- Award total compensation that is both reasonable and effective in attracting, motivating and retaining key associates.

We believe that accomplishing corporate goals is essential for our continued success and sustained financial performance. Therefore, we believe that executive officer compensation should be largely at-risk and performance based. 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 Board's desire to emphasize performance in certain areas. Each year, the Compensation Committee reviews and approves all executive officer performance-based goals.

The compensation and benefits programs for our executives are designed with the goal of providing compensation that is fair, reasonable and competitive. These programs are intended to help us recruit and retain qualified executives, and provide rewards that are linked to performance while also aligning the interests of executives with those of our shareowners.

Compensation Philosophy

The Compensation Committee, with Board approval, adopted the compensation philosophy and set the following compensation objectives:

- Target base salaries for our senior executives at the 50th percentile of our selected peer group of banks unless an exception is approved by the Compensation Committee due to performance, experience, or market demand;
- Position direct compensation (salary, cash and equity compensation) of our senior executives at the 75th percentile of our selected peer group of banks dependent upon our performance to attract top talent and to recognize exceptional performance by management;
- Target variable (pay for performance) compensation to at least 30% of total compensation mix; and
- Continue, over time, the alignment of senior management's interests with that of shareowners (the percentage of equity compensation should increase relative to total incentive compensation).

We discuss the composition of our peer group and our benchmarking practices in further detail below.

Executive Compensation Policy Decisions

The Compensation Committee has adopted a number of policies to further the goals of our executive compensation program, particularly with respect to strengthening the alignment of our executives' interests with our shareowners' long-term interests. Further, the Compensation Committee believes the policies set forth below are effective based on the stability of our management team and our ability to attract talent from outside the Company.

Stock Ownership Expectations

We maintain stock ownership expectations for all senior managers, including our executive officers. Under our current guidelines, all senior managers are expected to own shares of our common stock equal in value to at least two times their annual base salary; Mr. Barron and Mr. Davis are expected to own shares of our common stock equal in value to at least three times their annual base salary; and Mr. Smith is expected to own shares of our common stock equal in value to at least five times his annual base salary. Compliance is expected within six years of becoming a senior manager or executive officer.

The Compensation Committee has determined that as of December 31, 2014, all executive officers have met our share ownership expectations and all other senior managers covered by this program are making significant strides in meeting the ownership expectations.

Stock Options

We ceased granting stock options in 2007. A total of 37,426 stock options remain outstanding, all of which expire in 2015.

Prohibition on Repricing Stock Options

By the terms of the 2011 Associate Incentive Plan, which is the only plan we may use to grant stock options, repricing stock options is prohibited without shareowner approval.

Employment Agreements and Severance Agreements

We believe the employment of our executive officers should remain “at will.” Therefore, none of our executive officers have an employment agreement or severance agreement with us.

Compensation Program Design

Compensation Framework

We design our specific compensation elements based on the following:

§ **Performance:** We believe that the best way to accomplish alignment of compensation plans with the participants’ interests is to directly link pay to individual and Company performance.
§ **Competitiveness:** Compensation and benefits programs are designed to be competitive with those provided by companies with whom we compete for talent. Benefits programs are not based on performance.
§ **Cost:** Compensation and benefit programs are designed to be cost-effective and affordable, ensuring that the interests of our shareowners are considered.
§ **Peer Group:** The relevant peer group for comparison of compensation and benefits programs consists of commercial banks and thrifts with a geographic footprint or asset base similar to ours.

Specific Compensation Elements

Our executive compensation program is comprised of four discrete elements:

§ Base salary
§ Incentive compensation
§ Benefits and perquisites
§ Post-termination compensation and benefits

Impact on Say-on-Pay Vote

We provide our shareowners with the opportunity to cast an advisory vote on executive compensation ("Say-on-Pay") every three years. At our Annual Meeting in 2014, out of the 13,620,210 votes cast (excluding abstentions and broker nonvotes), our shareowners cast 12,565,422 shares, or 92.3%, "For" approval of our executive compensation. The Compensation Committee believes this vote affirmed shareowners' support of our approach to executive compensation. We did not change our approach in 2015, other than to discontinue the tax supplement bonus for our stock-based incentive plan. The Compensation Committee will continue to consider the outcome of the Say-on-Pay vote when making future compensation decisions for our named executive officers.

Discussion of Specific Compensation Elements

Base Salary

Our compensation philosophy guideline is to target base salaries at the 50$^{th}$ percentile of our peer group; however, superior performance may warrant a base salary in excess of this target. Our Compensation Committee believes that this target level will allow us to attract and retain the talent necessary to achieve our performance goals. The base salaries for the named executive officers are determined by analyzing available market data as well as taking into account the experience and performance of the individual. In 2014, each of our named executive officers received an increase in their base salary. The increases were Mr. Smith, 11.0%; Mr. Barron, 5.0%; and Mr. Davis, 4.8%. Mr. Smith's base salary is 29% below the 50$^{th}$ percentile base salary of our peer group. His relatively low base salary is not reflective of his performance or experience level. It has been historically low compared to our peer group benchmark and the Compensation Committee continues to place great emphasis on bringing Mr. Smith's base salary in line with the stated target level. Mr. Barron's base salary is 29% below the 50$^{th}$ percentile and Mr. Davis's base salary was 11% below the 50$^{th}$ percentile.

Incentive Compensation

In addition to their base salary, each named executive officer has the opportunity to earn annual incentive compensation. The Compensation Committee believes a competitive overall compensation package should include incentive compensation in the form of both cash and equity awards. The Compensation Committee believes target incentive compensation equal to or greater than 30% of total compensation is sufficient to change behaviors relative to performance. As a result, we believe our total incentive-based compensation target of at least 30% of total compensation is appropriate.

In 2014, Mr. Smith's targeted incentive compensation was 63% of his total targeted compensation, Mr. Barron's was 55% and Mr. Davis's was 37%. We believe the differences of potential impact each executive officer has on our performance warrants differences in how much compensation they individually have at risk. Mr. Smith was the only executive officer with an opportunity to earn incentives under a long term plan.

In 2015, Mr. Smith's total targeted incentive compensation of $600,000 is comprised of 47% cash and 53% equity and includes both short term and long term incentive plans. Mr. Barron's total target incentive compensation of $339,000 is comprised of 57% cash and 43% equity. Mr. Davis's total target incentive compensation of $150,000 is comprised of 70% cash and 30% equity. The difference in allocation between cash and equity among the named executive officers is due to each executive's responsibilities.

The base and incentive (cash and equity) compensation for Messrs. Smith, Barron, and Davis placed them well below the 75$^{th}$ percentile for total compensation, relative to our peer group.

***Cash Incentive Plan.*** Cash incentives for each of the named executive officers are based primarily on individual and divisional performance with regard to goals established by the Compensation Committee, including our Million Dollar Mission, a profit enhancement initiative focused on increasing noninterest income and decreasing noninterest expense collectively by at least $1.0 million.

In 2014, Mr. Smith received a payout of $246,225 under his Cash Incentive Plan, representing 140.7% of his target, based on four distinct but equally weighted goals, including achieving our Million Dollar Mission, lowering the level of nonperforming assets to no more than $52.2 million, achieving performing loans at a level greater than $1.414 billion, and achieving an annual earnings goal of $6.9 million.

Mr. Barron received a payout of $148,206, representing 103.0% of his target, in 2014. His payout was based on four distinct goals including achieving the earnings goal, achieving net interest income budget of $74.9 million, and lowering the level of nonperforming assets to no more than $52.2 million. The payout under the fourth goal, whether and to what extent the managers who directly report to him meet their own Company-determined performance goals, is based on an average of his direct reporting managers' payouts under the plan. Each reporting manager has divisional goals specific to them.

In 2014, Mr. Davis received a payout of $82,916, representing 92.1% of his target. Mr. Davis's payout was based on six distinct goals: achieving the Million Dollar Mission, lowering the level of nonperforming assets to no more than $52.2 million, achieving an earnings goal of $6.9 million, meeting budgeted noncredit related expenses of no more than $100.7 million, achieving net interest income budget of $74.9 million, and a payout based on an average of his direct reporting managers' payouts under the plan.

***Stock-Based Incentive Plan.*** The Stock-Based Incentive Plan is a performance-based equity bonus plan in which selected members of management, including all named executive officers, are eligible to participate. The Stock-Based Incentive Plan is administered under our 2011 Associate Incentive Plan. It is our general policy to award cash awards to our executive officers for superior individual and divisional performance and equity awards for superior company performance. The Compensation Committee believes the equity component of our incentive compensation package creates ownership in the Company and aligns the goals of our shareowners and named executive officers because it provides incentives to our named executive officers to focus on improving long-term performance. Payments under the Stock-Based Incentive Plan consists of an award payable 75% in performance shares and 25% in cash, and is designed to align the economic interests of management with those of our shareowners.

Under the Stock-Based Incentive Plan, all participants were eligible to earn an equity award tied to achievement of four distinct, but equally weighted objectives: (a) total earnings of greater than $6.9 million; (b) achievement of the Million Dollar Mission; (c) performing loans greater than $1.414 billion and (d) nonperforming assets less than $52.2 million. Depending on performance, component payouts under the plan could have ranged from 0% to 200% of the target, and the maximum payout, in aggregate, could have been 175%.

Three of four goals were achieved at the 100% level or better. Earnings paid out at 150%, Million Dollar Mission paid out at 118%, nonperforming assets paid out at 94%, and performing loans paid out at 200%. Thus, the total payout was 140.7% under the 2014 Stock-Based Incentive Plan.

The total economic value of the award for each named executive officer is set as a percentage of total incentive compensation. The total economic value of the target award at the 100% payout level is split 75% in shares and 25% in cash. The formula used a stock price of $13.02 to arrive at the number of performance shares granted. The price was derived based on the average high and low of the previous 10 trading days from date of grant (February 18, 2014). This formula was set by the terms of the 2011 Associate Incentive Plan.

In 2014, the named executive officers received the following shares:

| **Name** | 100% Payout | Maximum Payout | 2014 Actual Payout |
|---|---|---|---|
| William G. Smith, Jr. | 10,081 | 17,642 | 14,184 |
| Thomas A. Barron | 5,507 | 9,637 | 7,748 |
| J. Kimbrough Davis | 3,456 | 6,048 | 4,863 |

The cash portion of the Stock-Based Incentive Plan award was as follows:

| Name | 100% Payout | Maximum Payout | 2014 Actual Payout |
|---|---|---|---|
| William G. Smith, Jr. | $ 43,750 | $ 76,563 | $ 61,556 |
| Thomas A. Barron | 23,900 | 41,825 | 33,627 |
| J. Kimbrough Davis | 15,000 | 26,250 | 21,105 |

Awards earned under the Stock-Based Incentive Plan are issued in the calendar quarter following the calendar year in which the awards were earned. Generally, any awards earned are issued in late January or early February.

***Long-term Incentive Plan - Compound Annual Growth Rate in Diluted EPS***. The Compensation Committee awards Mr. Smith performance shares as provided in the 2011 Associate Incentive Plan. This plan is designed to more closely correlate CEO compensation with the long-term growth of the Company. Pursuant to this three-year plan, which is adopted each year to allow for the annual adoption of rolling three-year goals, we agree to award performance shares and cash with an economic value equivalent ranging from $0 to $500,000 after the conclusion of the three-year performance period.

For the 2012 plan (with a possible payout in 2015 based on 2012-14 performance), there was a target award of $250,000 based on achieving a goal of a 10% three-year compound annual growth rate in diluted earnings per share using $0.29 per share (2011 earnings) as the base amount. A maximum award of $500,000 would be earned if the compound annual growth rate in diluted earnings per share equaled or exceeded 12.5%, the maximum performance level. Mr. Smith requested that the Compensation Committee exercise negative discretion in awarding a payout in 2015 under the 2012 plan. The Compensation Committee, with Board approval, accepted Mr. Smith's request and awarded him $0.

For the 2013 plan (with a possible payout in 2016 based on 2013-15 performance), there is a target award of $250,000 based on achieving a goal of a 10% three-year compound annual growth rate in diluted earnings per share using $0.01 per share (2012 earnings) as the base amount. A maximum award of $500,000 would be earned if the compound annual growth rate in diluted earnings per share equaled or exceeded 12.5%, the maximum performance level.

For the 2014 plan (with a possible payout in 2017 based on 2014-16 performance), there is a target award of $250,000 based on achieving a goal of a 10% three-year compound annual growth rate in diluted earnings per share using $0.35 per share (2013 earnings) as the base amount. A maximum award of $500,000 would be earned if the compound annual growth rate in diluted earnings per share equaled or exceeded 12.5%, the maximum performance level.

Benefits and Perquisites

***Determining Benefit Levels***. Benefit levels are reviewed periodically to ensure that the plans and programs provided are competitive and cost-effective for us, and support our human capital needs. Benefit levels are not tied to company, business area or individual performance.

***Perquisites***. We provide our named executive officers with perquisites that we believe are reasonable, competitive and consistent with our overall executive compensation program. The value of the perquisites for each named executive officer in the aggregate is less than $10,000.

***Health, Dental, Disability and Life Insurance Coverage***. The core insurance package for our named executive officers and senior management team includes health, dental, disability and basic group life insurance coverage. Our named executives and senior management participate in these benefits on the same basis as our other associates.

***Paid Time-Off Benefits***. We provide vacation and other paid holidays to all associates, including our named executive officers and senior management team, which are comparable to those provided at similarly sized financial institutions.

Post-Termination Compensation and Benefits.

We provide retirement benefits to named executive officers and senior management through a combination of qualified (under the Internal Revenue Code) and nonqualified plans.

***Retirement Plan.*** The Retirement Plan is a tax-qualified, noncontributory defined benefit plan intended to provide for an associate's financial security in retirement. All full-time and part-time associates with 1,000 hours of service annually are eligible for the Retirement Plan.

***401(k) Plan.*** The 401(k) plan provides associates the opportunity to save for retirement on a tax-favored basis. For associates hired after January 1, 2002, the associates receive a reduced pension benefit under the Retirement Plan and a 50% matching contribution under the 401(k) Plan. This change was intended to be cost-neutral. Executives may elect to participate in the 401(k) Plan on the same basis as our other similarly situated associates. No named executive officers are currently eligible for the company-sponsored match.

***Supplemental Executive Retirement Plan.*** Each of our named executive officers participates in our Supplemental Executive Retirement Plan ("SERP"), a nonqualified plan which provides benefits in excess of the Retirement Plan. The SERP is designed to restore a portion of the benefits Messrs. Smith, Barron, and Davis would otherwise receive under our Retirement Plan, if these benefits were not limited by U.S. tax laws. This more closely aligns the benefits of Messrs. Smith, Barron, and Davis with those of other Retirement Plan participants. We have no obligation to fund the SERP, but accrue for our anticipated obligations under the SERP on an annual basis.

Benchmarking

We use benchmarking as a method to understand what similar positions pay in similar organizations. In setting 2014 executive compensation, the Compensation Committee engaged Blanchard Consulting to create a custom peer group, based on the following traits: publicly traded bank holding company with assets between $1.9 billion and $6 billion as of fiscal year end 2013, at least 30 branches, and located in Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, and Tennessee. At the time the members of the peer group were selected, each member was a publicly traded company. (See the chart below for the names of the financial institutions in our selected peer group as well as their asset size and net income.)

Approximately 25% of the peer group includes institutions that serve the same geographic region as we do. Benchmarking is the primary tool we use to set executive compensation; however, we also review individual performance and industry trends in terms of increases to executive compensation. For Mr. Smith, we also undertake a 10-year historical compensation review.

The compensation peer group is not identical to the peer group used to measure company performance, due to difficulty in gathering compensation data from nonpublic companies. Company performance data can be gathered from financial institution call reports for public and nonpublic financial institutions. However, some of the institutions represented on the compensation peer group are included in the Company performance peer group.

| **Financial Institution** | **Total Assets ($ in thousands)[1]** |
|---|---|
| Ameris Bancorp | 3,667,649 |
| Bank of the Ozarks | 4,787,068 |
| BNC Bancorp | 3,229,576 |
| CenterState Banks of Florida, Inc. | 2,415,567 |
| CommunityOne Bancorp | 1,985,032 |
| Fidelity Southern Corporation | 2,564,168 |
| First Bancorp | 3,185,070 |
| Home Bancshares | 6,811,861 |
| MidSouth Bancorp, Inc. | 1,851,160 |
| NewBridge Bancorp | 1,965,232 |
| Park Sterling Corporation | 1,960,790 |
| Pinnacle Financial Partners | 5,563,776 |
| Renasant Corporation | 5,746,270 |
| Seacoast Banking Corp of Florida | 2,268,940 |
| Simmons First National Corp. | 4,383,100 |
| VantageSouth Bancshares, Inc. | 2,119,948 |

[1] All data for fiscal year end 2013, which was the latest available data when we set 2014 compensation.

Compensation Committee Activity in 2014

The Compensation Committee met six times in 2014, including three executive sessions with only the Compensation Committee members present. The chair of the Compensation Committee sets the meeting dates and agenda for the committee. During these meetings, the Compensation Committee:

§ Held an executive session to discuss the 2013 performance of the Chief Executive Officer. In accordance with the Compensation Committee charter, Compensation Committee Chairman Cader B. Cox, III distributed an evaluation to all outside directors, and then collected and compiled the results of the evaluations. He presented the summarized and aggregated results for review by the Compensation Committee;

- Approved Mr. Smith's 2014 base salary of $350,000, and targeted short-term incentive compensation of $350,000;
- Approved Mr. Smith's 2014 Long-Term Incentive Plan targeted at $250,000 and, in February 2015, approved a similar plan for Mr. Barron targeted at $100,000;
- Reviewed and approved Capital City Bank President Thomas A. Barron's 2014 base salary of $270,000, and target incentive compensation of $239,000 and Chief Financial Officer J. Kimbrough Davis's 2013 base salary of $260,000 and target incentive compensation of $150,000;
- Reviewed total compensation for nine senior managers, including a review of incentive plans and relative risk to the Company;
- Reviewed executive perquisites and found them to be reasonable;
- Reviewed stock ownership positions for all senior managers and directors;
- Reviewed and recommended changes to director compensation for 2015 as discussed on page 9; and
- Discussed strategic compensation issues, including a review of the current design and expense of the Company's defined benefit pension plan, hedging and pledging policies, and amendments to the Compensation Committee Charter as required by regulatory changes.

Impact of Regulatory Requirements

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code imposes a $1.0 million limit on the amount that a publicly traded company may deduct for compensation paid to an executive officer who is employed on the last day of the fiscal year. "Performance-based compensation" is excluded from this $1.0 million limitation. A compensation arrangement will not qualify as "performance-based compensation" if the payment to the executive is triggered by termination, whether that be by the company without cause or by the executive due to good reason or retirement. In general, our policy is to provide compensation that we may fully deduct for income tax purposes. However, in order to maintain ongoing flexibility of our compensation programs, our Compensation Committee may from time to time approve annual compensation that exceeds the $1.0 million limitation. We recognize that the loss of the tax deduction may be unavoidable under these circumstances.

Federal Reserve and FDIC Guidance.

In 2010, the Federal Reserve issued final comprehensive guidance regarding the manner in which banks and bank holding companies pay incentive compensation. In accordance with the final guidance, all banking organizations supervised by the Federal Reserve are required to review the incentive compensation arrangements of: senior executive officers and others responsible for oversight of company-wide activities or material business lines; individual employees, including nonexecutive employees, whose activities may expose the bank to material amounts of risk; and groups of employees who are subject to the same or similar incentive compensation arrangements and who, in the aggregate, may expose the bank to material amounts of risk. Our Compensation Committee has con-ducted a review to ensure that compensation is structured in a manner so as not to encourage excessive risk-taking.

In 2011, as a result of the Dodd-Frank Act, the federal banking regulators issued a proposed rule which, if adopted, could affect incentive-based compensation for the Company's executives. The proposed rule, among other things, would prohibit certain types of incentive-based compensation including (i) compensation which would be unreasonable or disproportionate to the individual's services (excessive compensation) and (ii) compensation that would encourage inappropriate risk taking that could lead to a material loss. The Compensation Committee is monitoring the progress of the proposed rule. The final rule has not yet been adopted.

Compensation Committee Process and Procedures

Scope of Authority

The Compensation Committee has strategic and administrative responsibility for a broad range of issues, including reviewing, authorizing, and approving compensation to be paid to our executive officers, directors, and our senior management team. The Corporate Governance and Nominating Committee recommends to the Board, and the Board appoints, each member of the Compensation Committee. The Corporate Governance and Nominating Committee has evaluated, and the Board has determined, that each member of the Compensation Committee is an independent director.

The Compensation Committee's policy is to review executive compensation, including incentive goals, at least annually. The Compensation Committee also periodically reviews benefits and perquisites, reviews and provides oversight of our compensation philosophy, serves as the administrative committee for our equity-based plans, and reviews stock ownership guidelines for our executive officers and directors.

Delegation of Authority

The Compensation Committee's charter permits the delegation of its authority to our Chief People Officer to administer compensation and benefits programs. In 2014, the Compensation Committee delegated the administration of all associate compensation, benefit and welfare plans to Bethany H. Corum, our Executive Vice President and Chief People Officer.

None of the members of the Compensation Committee is an executive officer of a public company of which one of our executive officers is a director.

Independent Consultants

In carrying out its responsibilities, the Compensation Committee evaluates the information and recommendations put forth by management and its independent advisors in making its decisions regarding executive compensation. The Compensation Committee's decisions are made with the objective of providing fair, equitable and performance-based compensation to executives in a manner that is affordable and cost effective for our shareowners. In 2014, the Compensation Committee engaged Blanchard Consulting to create a custom peer group for the purpose of benchmarking executive officer and director compensation.

Management's Role

The Compensation Committee sets compensation for the Chief Executive Officer based on data provided by the Chief People Officer and a review of peer group statistics. In addition, the Compensation Committee reviews and approves the Chief Executive Officer's recommendations for other executive officers' compensation. In making these decisions, the Compensation Committee relies on information and recommendations provided by the Chief Executive Officer and Chief People Officer. The key roles played by management in assisting the Compensation Committee to determine compensation levels for our named executive officers are as follows:

§ **Develop performance measures:** Identify appropriate performance measures and recommend performance targets that are used to determine annual and long-term awards.
§ **Compile benchmark data:** Management participates in compensation surveys through reputable third-party firms which are used to gather data on base salary, annual cash and long-term performance awards. In reviewing and setting 2014 senior management compensation, we used custom compensation profiles created by an independent consultant engaged by the Compensation Committee in 2014. For executive officers, we used peer group data

gathered by Blanchard Consulting. The Chief People Officer also provides historical compensation data for each position reviewed by the Compensation Committee.

§ **Develop compensation guidelines:** Using the benchmark survey data and publicly disclosed compensation information as the foundation, management develops compensation guidelines for each executive position, such as targeting base salaries for our senior executives at the 50th percentile of our selected peer group and total direct compensation (salary, cash and equity compensation) at the 75th percentile. These guidelines are provided to the CEO as the basis for his recommendations regarding individual compensation actions. In addition, executives are briefed on the guidelines.

The key members of management involved in the executive compensation process were Mr. Smith and Mrs. Corum. Mr. Smith has no involvement in setting his own compensation and was not present during the Compensation Committee's deliberations regarding his own compensation. Mrs. Corum attends all meetings of the Compensation Committee to provide information to the Compensation Committee members and to take minutes of the meetings. At times, the Compensation Committee conducts executive sessions. Mrs. Corum is excused from all executive sessions and the Chairman of the Committee communicates any decisions for inclusion in the minutes. Management (other than Mr. Smith and Mr. Barron solely in their roles as directors approving the Compensation Committee's recommendations) had no role in setting compensation for the nonassociate directors.

COMPENSATION COMMITTEE REPORT

We, as a Compensation Committee, have reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K included in this Proxy Statement. Based on that review and discussion, we have recommended to the Board of Directors of the Company that the Compensation Discussion and Analysis be included in this Proxy Statement.

**2014 Compensation Committee**

Cader B. Cox, III (Chair)

DuBose Ausley

Allan G. Bense

J. Everitt Drew

This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, and shall not otherwise be deemed filed under these Acts.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following nonassociate directors were the members of the Compensation Committee of the Board of Directors during 2014: Cader B. Cox, III (Chair), DuBose Ausley, Allan G. Bense, and J. Everitt Drew. None of the members of the Compensation Committee was an officer or an employee of ours or any of our subsidiaries in 2014. None of the members of the Compensation Committee was ever an officer of ours except Mr. Ausley, who was our Chairman from 1982 to 2003, but not our Chief Executive Officer or President. Mr. Ausley has not received a salary for serving as our Chairman since 1998. In addition, there were no "compensation committee interlocks" during 2014.

EXECUTIVE COMPENSATION

Summary Compensation Table for 2014, 2013, and 2012

The following summary compensation table shows compensation information for our principal executive officer, principal financial officer, and our president (the only other executive officer whose total compensation exceeded $100,000) for each of the three previous fiscal years.

We have no employment agreements with our named executive officers. Amounts listed under column (g), "Nonequity Incentive Plan Compensation" are determined by the Compensation Committee at its first meeting following the year in which the compensation is earned and paid to the executives shortly after such determination is made.

| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | (j) |
|---|---|---|---|---|---|---|---|---|---|
| Name and Principal Position | Year | Salary ($) | Bonus ($) | **Stock Awards** ($)[1] | Option Awards ($) | **Nonequity Incentive Plan Compensation** ($)[2] | **Change in Pension Value and Nonqualified Deferred Compensation Earnings** ($)[3] | **All Other Compensation** ($)[4] | Total ($) |
| William G. Smith, Jr. | 2014 | 350,000 | 0 | 221,554 | 0 | 307,781 | 369,356 | 1,584 | 1,250,275 |
| Chairman, President, and | 2013 | 315,000 | 0 | 134,860 | 0 | 179,747 | 0 | 45,210 | 674,817 |
| Chief Executive Officer | 2012 | 304,000 | 0 | 42,406 | 0 | 55,547 | 520,518 | 17,637 | 940,108 |
| Thomas A. Barron | 2014 | 270,000 | 0 | 121,029 | 0 | 181,835 | 540,041 | 1,584 | 1,114,487 |
| President, Capital City | 2013 | 257,670 | 0 | 81,857 | 0 | 231,135 | 0 | 28,064 | 598,726 |
| Bank | 2012 | 252,000 | 0 | 27,367 | 0 | 74,128 | 454,074 | 12,303 | 819,872 |
| J. Kimbrough Davis | 2014 | 260,000 | 0 | 75,954 | 0 | 104,021 | 559,022 | 1,584 | 1,000,581 |
| Executive Vice President | 2013 | 248,676 | 0 | 41,958 | 0 | 86,903 | 0 | 14,605 | 392,142 |
| and Chief Financial Officer | 2012 | 243,800 | 0 | 14,031 | 0 | 84,032 | 409,969 | 6,526 | 758,358 |

(1) The amounts in column (e) reflect the grant date fair value of Stock-Based Incentive Plan awards computed in accordance with SEC rules. Values for awards subject to performance conditions are computed based on the probable outcome of the performance condition as of the grant date for the award.

(2) The amounts in column (g) reflect the cash awards to the named individuals under the Cash Incentive Plan, which is discussed in further detail on page 23 under the heading "Incentive Compensation–Cash Incentive Plan," and, for 2014, the cash portion of the awards under the Stock-Based Incentive Plan, which is discussed in further detail on page 24 under the heading "Incentive Compensation–Stock-Based Incentive Plan. For Mr. Smith, awards under the Cash Incentive Plan were earned out at 140.7%, 114.1%, and 37.5% of the target awards for 2014, 2013, and 2012, respectively. For Mr. Barron, awards under the Cash Incentive Plan were paid out at 103.0%, 161.0%, and 51.7% of the target awards for 2014, 2013, and 2012, respectively. For Mr. Davis, awards under the Cash Incentive Plan were paid out at 92.1%, 117.4%, and 113.5% of the target awards for 2014, 2013, and 2012, respectively. In 2014, cash awards under the Stock-Based Incentive Plan were $61,556, $33,629, and $21,105 for Messrs. Smith, Barron, and

Davis, respectively.

(3) The amounts in column (h) reflect the actuarial increase in the present value of the named executive officer's benefits under all pension plans established by us determined using the assumptions consistent with those used in our financial statements, which are discussed in further detail on page 33 under the heading "Pension Benefits." In 2013, an increase in the discount rate caused the change in the pension value to be negative for each of the named executive officers. The changes in pension value were $(393,264), $(517,109), and $(28,488) for Mr. Smith, Mr. Barron, and Mr. Davis, respectively. Neither the increase nor the decrease in pension value resulting from changes in the discount rate results in any increase or decrease in benefits payable to participants under the plan.

(4) The amount shown in column (i) reflects for each named executive officer a life insurance premium. In addition, in 2013 and 2012, tax supplement bonuses in the following amounts were paid:

| | 2013 | 2012 |
|---|---|---|
| William G. Smith, Jr. | $43,626 | $16,605 |
| Thomas A. Barron | 26,840 | 11,271 |
| J. Kimbrough Davis | 13,573 | 5,494 |

Beginning in 2014, we no longer pay a tax supplement bonus.