

Ameris Bancorp
Form DEF 14A
April 16, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

AMERIS BANCORP

(Name of Registrant as Specified In Its Charter)

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

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AMERIS BANCORP

310 First Street, S.E.

Moultrie, Georgia 31768

April 16, 2009

Dear Shareholder:

It is my pleasure to invite you to this year's annual meeting of shareholders, which will be held on Tuesday, May 19, 2009, at 4:15 p.m. local time, at Sunset Country Club, located at 2730 South Main Street, in Moultrie, Georgia.

The Notice of Annual Meeting of Shareholders and the proxy statement that follow describe the business to be conducted at the meeting. We also will report on matters of current interest to our shareholders.

We hope you will be able to attend the meeting. However, even if you plan to attend in person, please vote your shares promptly to ensure that they are represented at the meeting. You may submit your proxy vote by telephone or internet as described in the following materials or by completing and signing the enclosed proxy card and returning it in the envelope provided. If you decide to attend the meeting and wish to change your proxy vote, you may do so automatically by voting in person at the meeting.

If your shares are held in the name of a broker, bank or other nominee, you will need a proxy from the record holder of the shares authorizing you to vote at the meeting, as described in the proxy statement.

On behalf of Ameris Bancorp, I thank you for your continued support and look forward to seeing you at this year's annual meeting.

Sincerely,

/s/ Edwin W. Hortman, Jr.
Edwin W. Hortman, Jr.

President and Chief Executive Officer

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AMERIS BANCORP

310 First Street, S.E.

Moultrie, Georgia 31768

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 19, 2009

To the Shareholders of Ameris Bancorp:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the Annual Meeting) of Ameris Bancorp (the Company) will be held at Sunset Country Club, located at 2730 South Main Street, Moultrie, Georgia, on Tuesday, May 19, 2009, commencing at 4:15 p.m., local time, for the following items of business:

- (1) the election of two Class III directors for a three-year term of office;
- (2) the ratification of the appointment of Porter Keadle Moore, LLP, as the Company's independent auditor for 2009;
- (3) the approval of a non-binding advisory proposal on executive compensation; and
- (4) any other business that may properly come before the Annual Meeting or any adjournment or postponement thereof.

The close of business on March 10, 2009, has been fixed as the record date (the Record Date) for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof. Only shareholders of record at the close of business on the Record Date are entitled to notice of, and to vote at, the Annual Meeting.

Shareholders may receive more than one proxy if they own shares registered in different names or at different addresses. Each such proxy should be marked, dated, signed and returned. Please check to be certain of the manner in which your shares are registered whether individually, as joint tenants or in a representative capacity and sign the related proxy accordingly.

A complete list of shareholders entitled to vote at the Annual Meeting will be available for examination by any shareholder for any purpose germane to the Annual Meeting, during normal business hours, for a period of at least 10 days prior to the Annual Meeting at the Company's corporate offices located at the address set forth above.

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You are cordially invited to attend the Annual Meeting. Whether or not you plan to do so, please mark, date and sign the enclosed proxy and mail it promptly in the enclosed postage-prepaid envelope or vote promptly by telephone or the internet. Returning or voting your proxy does not deprive you of your right to attend the Annual Meeting and to vote your shares in person.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 19, 2009. The 2009 Proxy Statement and the Annual Report to Shareholders for the year ended December 31, 2008 are also available at <http://www.edocumentview.com/ABCB>.

Moultrie, Georgia

April 16, 2009

By Order of the Board of Directors,

/s/ Cindi H. Lewis

Cindi H. Lewis

Corporate Secretary

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AMERIS BANCORP

310 First Street, S.E.

Moultrie, Georgia 31768

PROXY STATEMENT

GENERAL INFORMATION

Solicitation of Proxies

This Proxy Statement and the accompanying form of proxy (which were first sent or given to shareholders on or about April 21, 2009) are being furnished to shareholders of Ameris Bancorp (the Company) in connection with the solicitation of proxies by and on behalf of the Board of Directors of the Company (the Board) for use at the Annual Meeting of Shareholders (the Annual Meeting) to be held at Sunset County Club, located at 2730 South Main Street, Moultrie, Georgia, on Tuesday, May 19, 2009, at 4:15 p.m., local time, and any adjournment or postponement thereof.

A proxy may be revoked at any time before the shares represented by it are voted at the Annual Meeting by delivering to the Corporate Secretary of the Company either a written revocation or a duly executed proxy bearing a later date or by voting in person at the Annual Meeting. All shares represented by a properly executed, unrevoked proxy will be voted on all matters presented at the Annual Meeting on which the shares are entitled to vote, unless the shareholder attends the Annual Meeting and votes in person. Questions regarding these procedures may be directed to the Corporate Secretary. Please note, however, that if shares are held in street name, which means the shares are held of record by a broker, bank or other nominee, the shares may be voted only at the Annual Meeting with a proxy from the record holder of the shares authorizing the attendee to vote at the Annual Meeting. Proxies solicited will be voted in accordance with the instructions given on the enclosed form of proxy.

Only shareholders of record at the close of business on March 10, 2009 (the Record Date) are entitled to notice of, and to vote at, the Annual Meeting. On the Record Date, the Company had 13,584,107 shares of its common stock, \$1.00 par value per share (the Common Stock), outstanding and entitled to vote. All holders of Common Stock are entitled to cast one vote per share held as of the Record Date.

The cost of preparing and mailing proxy materials will be borne by the Company. In addition to solicitation by mail, solicitations may be made by directors, officers and other employees of the Company in person or by telephone, facsimile or other means. Brokerage houses, custodians, nominees and fiduciaries will be reimbursed for the expense of sending proxy materials to the beneficial owners of Common Stock held of record on behalf of such persons.

Quorum and Vote Required

A quorum of the Company's shareholders is necessary to transact business at the Annual Meeting. The presence at the Annual Meeting, in person or by proxy, of shares of Common Stock representing a majority of the shares of Common Stock outstanding and entitled to vote as of the Record Date will constitute a quorum for transacting business at the Annual Meeting. Abstentions and broker non-votes, discussed below, count as present for establishing a quorum.

Directors will be elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the Annual Meeting, meaning that the two Class III nominees receiving the most votes will be elected as Class III directors. Cumulative voting is not permitted. Approval of each of the other proposals requires the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting. If a quorum is not present at the Annual Meeting, then it is expected that the Annual Meeting will be adjourned or postponed to solicit additional proxies.

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Under certain circumstances, brokers are prohibited from exercising discretionary authority for beneficial owners who have not returned proxies to the brokers (so-called broker non-votes). In these cases, and in cases where the shareholder abstains from voting on a matter, those shares will be counted for the purpose of determining if a quorum is present. Such shares will also have the same effect as a vote against the proposal, other than the election of directors, in which case such shares will not be included in the vote totals with respect to the election of directors and, therefore, will have no effect on the vote. All votes will be tabulated by the inspector of elections for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

PROPOSAL 1 ELECTION OF DIRECTORS

The business affairs of the Company are managed under the direction of the Board in accordance with the Georgia Business Corporation Code, as implemented by the Company's Articles of Incorporation and Bylaws. The role of the Board is to effectively govern the affairs of the Company for the benefit of its shareholders and other constituencies. The Board strives to ensure the success and continuity of business through the election of qualified management. It is also responsible for ensuring that the Company's activities are conducted in a responsible and ethical manner. The Company is committed to having sound corporate governance principles.

The Company has a classified Board currently consisting of three Class I directors (Johnny W. Floyd, Edwin W. Hortman, Jr. and Daniel B. Jeter, who currently serves as Chairman of the Board), three Class II directors (J. Raymond Fulp, Robert P. Lynch and Brooks Sheldon), and two Class III directors (Glenn A. Kirbo and Jimmy D. Veal). Eugene M. Vereen, Jr. also served as a Class III director of the Company until his death on April 6, 2008. The Class III directors currently serve until the Annual Meeting, and the Class I and Class II directors currently serve until the annual meetings of shareholders to be held in 2010 and 2011, respectively, except that Mr. Floyd, a Class I director, will be retiring from the Board as of the Annual Meeting. After the Annual Meeting, the Class I, Class II and Class III directors will serve until the annual meetings of shareholders to be held in 2010, 2011 and 2012, respectively, and until their respective successors are duly elected and qualified.

At each annual meeting of shareholders, directors are duly elected for a full term of three years to succeed those whose terms are expiring, although directors may be elected for shorter terms in certain instances, such as filling a vacancy in a particular class of directors. Vacancies on the Board and newly-created directorships also can generally be filled by a vote of a majority of the directors then in office. As of the date of this Proxy Statement, the Board has determined that it will not elect a director to fill the vacancy resulting from Mr. Vereen's death or the vacancy that will result from Mr. Floyd's retirement from the Board. The Company's executive officers are appointed annually by the Board and serve at the discretion of the Board, subject to applicable employment agreements.

At the Annual Meeting, shareholders are being asked to re-elect Messrs. Kirbo and Veal to serve as Class III directors until the 2012 annual meeting of shareholders and until their successors are duly elected and qualified.

Proxies cannot be voted at the Annual Meeting for a greater number of persons than the number of nominees named.

Unless otherwise directed, the persons named as proxies and attorneys in the enclosed form of proxy intend to vote FOR the election of all nominees as directors for the ensuing term and until their successors are duly elected and qualified. If any such nominee for any reason should not be available as a candidate for director, votes will be cast pursuant to authority granted by the enclosed proxy for such other candidate or candidates as may be nominated by the Board. The Board is unaware of a nominee who is unable to serve as a director or will decline to serve as a director, if elected.

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The following sets forth certain information, as of the Record Date, for all Class III nominees.

Glenn A. Kirbo (age 61) has served as a director of the Company since May 2005 and as a director of Ameris Bank, the Company's banking subsidiary (the Bank), since February 2006. Mr. Kirbo served as a director and Chairman of the Board of First National Bank of South Georgia, formerly a wholly-owned subsidiary of the Company, from 1990 and 1996, respectively, and until the merger of First National Bank of South Georgia into the Bank in February 2006. Mr. Kirbo is President of the law firm of Kirbo and Kirbo, P.C. in Albany, Georgia. He also serves as a director of Health Systems Management, Inc., as a partner in Barkley-Kirbo Building Partnership and as President of Kirbo Properties, Inc.

Jimmy D. Veal (age 60) has served as a director of the Company and as a director of the Bank since May 2008. Mr. Veal has been active in the hospitality industry for over 35 years. He currently owns and operates, together with his family, The Beachview Club on Jekyll Island, Georgia and Beachview Tent Rentals in Brunswick, Georgia. He is also active in various real estate and timberland ventures in Glynn County, Georgia and Camden County, Georgia. Mr. Veal was a founding director of Golden Isles Financial Holdings, Inc., which was the corporate parent of The First Bank of Brunswick prior to its acquisition by the Company and subsequent merger into the Bank. He served as a director of both Golden Isles Financial Holdings, Inc. and The First Bank of Brunswick from their inception in 1989 until their acquisition by the Company in 2001 and as Vice Chairman of both companies from 1996 until 2001.

The Board recommends a vote FOR election of the nominated directors. Proxies will be voted FOR the election of the two nominees unless otherwise specified.

The following sets forth certain information, as of the Record Date, for all other directors of the Company whose terms of office will continue after the Annual Meeting.

J. Raymond Fulp (age 64) has served as a director of the Company since 1989 and as a director of the Bank since February 2006. Mr. Fulp served as a director and Chairman of the Board of Citizens Security Bank, formerly a wholly-owned subsidiary of the Company, from 1987 and 2000, respectively, and until the merger of Citizens Security Bank into the Bank in 2006. Mr. Fulp is a pharmacist and was the co-owner of Midtown Pharmacy in Tifton, Georgia from 1974 until its sale in 1999. Mr. Fulp's term expires in the year 2011.

Edwin W. Hortman, Jr. (age 55) has served as a director of the Company since November 2003 and as a director of the Bank since February 2006. Mr. Hortman has also served as President and Chief Executive Officer of the Company since January 2005. From November 2003 through December 2004, Mr. Hortman served as President and Chief Operating Officer of the Company, and from 2002 to 2003, Mr. Hortman served as Executive Vice President and North Regional Executive of the Company. From 1998 through 2003, Mr. Hortman served as President and Chief Executive Officer of Citizens Security Bank, formerly a wholly-owned subsidiary of the Company. Mr. Hortman also served as a director of Citizens Security Bank from 1998 to 2004. In addition, Mr. Hortman served as a director of Central Bank & Trust, Southland Bank, First National Bank of South Georgia and Merchants & Farmers Bank, formerly wholly-owned subsidiaries of the Company, from 2002 to 2004. From 1992 to 1998, Mr. Hortman was Senior Vice President of Colony Bankcorp, Inc. and President of Colony Management Services. Mr. Hortman serves as a director of the Georgia Bankers Association Insurance Trust and on the Board of Trustees for Abraham Baldwin Agricultural College. Mr. Hortman's term expires in the year 2010.

Daniel B. Jeter (age 57) has served as a director of the Company since 1997 and as a director of the Bank since 2002. He has been Chairman of the Board and of the Board of Directors of the Bank since May 2007. Mr. Jeter is the Vice President and a majority shareholder of Standard Discount Corporation (Standard), a family-owned consumer finance company. Mr. Jeter joined Standard in 1979 and is an officer and director of each of Standard's affiliates, including Colquitt Loan Company, Globe Loan Company of Hazelhurst, Globe

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Loan Company of Tifton, Globe Loan Company of Moultrie, Peach Finance Company, Personal Finance Service of Statesboro, Globe Financial Services of Thomasville, Classic Insurance Company, Ltd. and Cavalier Insurance Company (of which he is President). Mr. Jeter is also a director and officer of the Georgia Industrial Loan Corporation and a director of Allied Business Systems. Mr. Jeter's term expires in the year 2010.

Robert P. Lynch (age 45) has served as a director of the Company since 2000 and as a director of the Bank since February 2006. Mr. Lynch is the Vice President of Lynch Management Company, which owns and manages five car dealerships located in the Southeast. Mr. Lynch's family also owns and operates Shadydale Farm, a beef cattle operation located in Shady Dale, Georgia. Mr. Lynch's term expires in the year 2011.

Brooks Sheldon (age 63) has served as a director of the Company since 2005 and as a director of the Bank since 2003. Additionally, he served as President and a director of the Bank from 1989 until his retirement in 1997. Mr. Sheldon currently serves as Chairman on the Colquitt County Hospital Authority Board. Mr. Sheldon's term expires in the year 2011.

The backgrounds of the directors with terms expiring in 2009 are summarized above in the discussion of Class III nominees.

BOARD AND COMMITTEE MATTERS

Director Independence

Each member of the Board other than Mr. Hortman is independent as defined for purposes of the rules of the Securities and Exchange Commission (the "SEC") and the listing standards of The Nasdaq Stock Market LLC ("Nasdaq"). For a director to be considered independent, the Board must determine that the director does not have a relationship with the Company that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making this determination, the Board will consider all relevant facts and circumstances, including any transactions or relationships between the director and the Company or its subsidiaries.

Committees of the Board

Executive Committee. The Executive Committee is currently comprised of four directors, only one of whom is a current or former employee of the Company. The current members of the Executive Committee are Messrs. Fulp, Hortman, Jeter (Chairman) and Lynch. The Executive Committee is authorized to exercise all of the powers of the Board, except the power to declare dividends, elect directors, amend the Company's Bylaws, issue stock or recommend any action to the Company's shareholders.

Compensation Committee. The Compensation Committee is currently comprised of three directors, Messrs. Fulp (Chairman), Jeter and Kirbo, none of whom is a current or former employee of the Company or any of its subsidiaries and all of whom are independent directors of the Company. The duties of the Compensation Committee, which does not have a formal written charter but which acts according to established policies and procedures, are generally to establish the compensation for the Company's executive officers and to act on such other matters relating to compensation as it deems appropriate, including an annual evaluation of the Company's Chief Executive Officer and the design and

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oversight of all compensation and benefit programs in which the Company's employees and officers are eligible to participate. Additional information regarding the Compensation Committee's processes and procedures for consideration of executive officer compensation is provided in the Compensation Discussion and Analysis below.

Audit Committee. The Audit Committee is currently comprised of five members, none of whom is a current or former employee of the Company and all of whom are independent directors of the Company. The current members of the Audit Committee are Messrs. Floyd, Fulp, Lynch, Sheldon (Chairman) and Veal. The Audit

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Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee, which operates under a written charter, represents the Board in discharging its responsibility relating to the accounting, reporting and financial practices of the Company and its subsidiaries. Its primary functions include monitoring the integrity of the Company's financial statements, system of internal controls, and compliance with regulatory and legal requirements; monitoring the independence, qualifications and performance of the Company's independent auditor and internal auditing services; and providing an avenue of communication among the independent auditor, management, internal audit and the Board. The Ameris Bancorp Amended and Restated Audit Committee Charter is set forth as *Appendix A* to the Company's Definitive Proxy Statement for the Company's 2007 annual meeting of shareholders.

Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is currently comprised of four members, all of whom are independent directors of the Company. The members of the Corporate Governance and Nominating Committee are Messrs. Floyd (Chairman), Kirbo, Lynch and Veal. Pursuant to its charter, the Corporate Governance and Nominating Committee is responsible for considering, and making recommendations to the Board regarding, the size and composition of the Board, recommending and nominating candidates to fill Board vacancies that may occur and recommending to the Board the director nominees for whom the Board will solicit proxies. Additional information regarding the Corporate Governance and Nominating Committee's processes and procedures is provided below under the heading *Identifying and Evaluating Nominees*. The Ameris Bancorp Corporate Governance and Nominating Committee Charter is set forth as *Appendix A* to this Proxy Statement.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended December 31, 2008, Messrs. Fulp, Jeter and Kirbo served as members of the Compensation Committee. Henry C. Wortman also served as a member of the Compensation Committee from January 1, 2008, until his retirement from the Board in April 2008. None of Messrs. Fulp, Jeter, Kirbo or Wortman is or has been an officer or employee of the Company.

Board and Committee Meetings

In 2008, the Board held 16 meetings, the Compensation Committee held 11 meetings, the Audit Committee held nine meetings and the Corporate Governance and Nominating Committee held seven meetings. Each director attended at least 75% of all meetings of the full Board and of those committees on which he served and was eligible to attend in 2008, other than Mr. Floyd, who attended at least 50% of all meetings of the full Board and the committees on which he served. Additionally, the non-management directors met without any members of management or other employees present three times in 2008.

The 2008 Annual Meeting of Shareholders was attended by all members of the Board. It is the Board's policy that all directors should attend the 2009 Annual Meeting absent exceptional cause.

Director Reviews and Education

The Board conducts a self-assessment annually, and individual directors are separately evaluated each year in connection with director performance reviews. The Corporate Governance and Nominating Committee reviews and discusses with the Board the results of these annual assessments.

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Reflecting the commitment of the Company and the Board to principles of strong corporate governance, in 2008, Messrs. Fulp, Hortman, Jeter and Sheldon attended a seminar presented by The University of Georgia's Terry College of Business dealing with, among other topics, the fundamental roles, responsibilities and expectations of directors. This seminar was accredited by the RiskMetrics Group (ISS).

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Identifying and Evaluating Nominees

With respect to the nomination process, the Corporate Governance and Nominating Committee reviews the composition and size of the Board to insure that it has the proper expertise and independence; determines the criteria for the selection of Board members and Board committee members; plans for continuity on the Board as existing Board members retire or rotate off the Board; establishes criteria for qualifications as independent directors, consistent with applicable laws and listing standards; maintains a file of suitable candidates for consideration as nominees to the Board; reviews Board candidates recommended by shareholders in compliance with all director nomination procedures for shareholders; and recommends to the Board the slate of nominees of directors to be elected by the shareholders and any directors to be elected by the Board to fill vacancies.

The Corporate Governance and Nominating Committee has not established specific minimum age, education, years of business experience or specific types of skills for potential candidates, but, in general, expects qualified candidates will have ample experience and a proven record of business success and leadership. In general, the Corporate Governance and Nominating Committee requires that each Board candidate will have the highest personal and professional ethics, integrity and values, including respectfulness, honesty and a commitment to teamwork and high standards consistent with the core values of the Company, and will consistently exercise sound and objective business judgment. In addition, it is anticipated that the Board as a whole will have individuals with significant appropriate senior management or other leadership experience, a long-term and strategic perspective and the ability to advance constructive debate.

While the Corporate Governance and Nominating Committee has authority to retain a search firm or consultants to assist in identifying director candidates, to date no such search firm or consultants have been engaged, and the Company has never received a proposed director candidate from a source outside of the Company. However, the Corporate Governance and Nominating Committee would consider any director candidate proposed by any shareholder of record who has given timely written notice to the Corporate Secretary as required by Section 2(b) of the Company's Bylaws. The proposing shareholder's notice to the Corporate Secretary must set forth the information required by such section, including the director candidate's name, credentials, contact information and his or her consent to be considered as a director candidate, as well as the proposing shareholder's own contact information and a statement of his or her share ownership (how many shares held and for how long). To be timely, a proposing shareholder's notice must be received at the Company's principal executive office no later than the date specified in Section 2(b) of the Company's Bylaws.

The Corporate Governance and Nominating Committee will evaluate director candidates based on their financial literacy, business acumen and experience, independence for purposes of compliance with SEC and Nasdaq rules and willingness, ability and availability for service. There are no differences in the manner in which the Corporate Governance and Nominating Committee evaluates a director candidate that is recommended for nomination for membership on the Board by a shareholder.

Communication with the Board and its Committees

Any shareholder may communicate with the Board by directing correspondence to the Board, any of its committees, or one or more individual members, in care of the Corporate Secretary, Ameris Bancorp, 310 First Street, S.E., Moultrie, Georgia 31768. The Corporate Secretary will forward such correspondence to whom it is addressed.

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The Company's directors are entitled to fees of \$833 per month for Board service, with the Chairman of the Board receiving an additional \$500 per month. Each director also receives \$500 for attendance at each regular Board meeting. No additional fees are provided for committee meetings held in coordination with regularly scheduled board meetings. A \$200 fee is also provided for committee meetings held outside of the Company's regular monthly board meetings. The table below provides a summary of the Company's director fee schedule.

Board Fee Schedule: Non-employee Directors

Monthly Board Service Fee (Retainer)	
Chairman	\$ 1,333
Member	\$ 833
Board and Committee Meeting Fees	
Regular Board Meetings	\$ 500
Committee Meetings Held Outside of Regular Monthly Board Meetings	
Audit Committee	\$ 200
Compensation Committee	\$ 200
Corporate Governance and Nominating Committee	\$ 200
Executive Committee	\$ 200

The following director compensation table sets forth the total compensation earned by directors for the fiscal year ending December 31, 2008. Directors who are also named executive officers are not included in the table below. Compensation paid to named executive officers serving as directors is presented in the supplementary table which details the All Other Compensation amounts reflected in the Summary Compensation Table included in this Proxy Statement.

Name	Fees Earned or Paid in Cash(1)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation(2)	Total
Johnny W. Floyd	\$ 20,296	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,296
J. Raymond Fulp	\$ 36,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000	\$ 37,196
Daniel B. Jeter	\$ 27,096	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000	\$ 28,096
Glenn A. Kirbo	\$ 25,496	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,496
Robert P. Lynch	\$ 17,396	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,396
Brooks Sheldon	\$ 32,896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,000	\$ 33,896
Jimmy D. Veal	\$ 21,964	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,964
Eugene M. Vereen, Jr.(3)	\$ 3,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,600
Henry C. Wortman(4)	\$ 11,932	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,932

- (1) Includes director fees paid for services on the Bank's local community bank boards for all directors other than Messrs. Lynch and Vereen.
- (2) Reflects payment for attending a two-day director education conference. Directors also receive reimbursement for travel expenses; however, the aggregate amount of such compensation in 2008 was below \$10,000 and, therefore, it is not reported.
- (3) Mr. Vereen passed away in April 2008.

- (4) Mr. Wortman retired from the Board in April 2008.

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The following table sets forth certain information regarding each executive officer of the Company.

<u>Name, Age and Term as Officer</u>	<u>Position</u>	<u>Principal Occupation for the Last Five Years and Other Directorships</u>
Edwin W. Hortman, Jr., 55 Officer since 2002	President and Chief Executive Officer	President and Chief Executive Officer since January 1, 2005. Director since November 2003. President and Chief Operating Officer from November 2003 through December 2004. Executive Vice President and Regional Bank Executive for Northern Division from August 2002 through November 2003. President, Chief Executive Officer and Director of Citizens Security Bank from April 1998 to November 2003. Director of each subsidiary bank in the Northern Division from September 2002 through March 2004.
Dennis J. Zember Jr., 39 Officer since 2005	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer since February 14, 2005. Senior Vice President and Treasurer of Flag Financial Corporation and Senior Vice President and Chief Financial Officer of Flag Bank from January 2002 to February 2005. Vice President and Treasurer of Century South Banks, Inc. from August 1997 to May 2001.
C. Johnson Hipp, III, 57 Officer since 2006	Executive Vice President and Banking Group President	Officer since June 2006. Chief Executive Officer of South Carolina Bank and Trust from 1994 to 2004.
Marc J. Bogan, 42 Officer since 2006	Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer since June 2008. Coastal Region Executive from September 2006 to June 2008. Sales Executive with South Carolina Bank and Trust from April 2004 to September 2006. Regional President for South Carolina Bank and Trust from June 2001 to April 2004.
Jon S. Edwards, 47 Officer since 1999	Executive Vice President and Director of Credit Administration	Executive Vice President and Director of Credit Administration since May 2005. Executive Vice President and Regional Bank Executive for Southern Division from August 2002 through April 2005. Director of Credit Administration from March 1999 to July 2003. Senior Vice President from March 1999 to August 2002. Director of each subsidiary bank in the Southern Division from September 2002 through April 2005.

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<u>Name, Age and Term as Officer</u>	<u>Position</u>	<u>Principal Occupation for the Last Five Years and Other Directorships</u>
Cindi H. Lewis, 55 Officer since 1987	Executive Vice President, Chief Administrative Officer and Corporate Secretary	Chief Administrative Officer since May 2006, Executive Vice President since May 2002 and Corporate Secretary since May 2000. Director of Human Resources from May 2000 to May 2006 and Senior Vice President from May 2000 to May 2002.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis may contain statements regarding future individual and Company performance targets or goals. We have disclosed these targets or goals in the limited context of the Company's compensation programs, and, therefore, you should not take these statements to be statements of management's expectations or estimates of results or other guidance. We specifically caution investors not to apply such statements to other contexts.

This Compensation Discussion and Analysis is intended to assist you in understanding the Company's compensation programs. It presents and explains the philosophy underlying our compensation strategy and the fundamental elements of compensation paid to our Chief Executive Officer, Chief Financial Officer and other individuals included in the Summary Compensation Table (collectively, "named executive officers") for 2008. Specifically, this Compensation Discussion and Analysis addresses the following:

our compensation philosophy and the objectives of our compensation programs;

what our compensation programs are designed to reward;

our process for determining executive officer compensation, including:

the role and responsibility of the Compensation Committee;

the role of the Chief Executive Officer and other named executive officers;

the role of compensation consultants; and

benchmarking and other market analyses;

elements of compensation provided to our executive officers, including:

the purpose of each element of compensation;

why we elect to pay each element of compensation;

how we determine the levels or payout opportunities for each element; and

decisions on final payments for each element and how these align with performance; and

other compensation and benefit policies affecting our executive officers.

Compensation Philosophy and the Objectives of Our Compensation Programs

The Compensation Committee believes that the most effective compensation programs strive to accomplish the following objectives:

aligning the interests of the employee with those of the Company's shareholders;

attracting and retaining talented individuals and top performers; and

motivating performance toward the achievement of short-term and long-term goals.

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To meet these objectives, the Compensation Committee has carefully structured the programs in the following manner:

base compensation levels comparable and competitive to the 50th percentile of market, defined both in terms of geography, company type and company size;

annual incentive compensation that varies in a consistent manner with the achievement of both individual performance objectives and the financial results of the Company;

long-term incentive compensation (equity) based on the achievement of longer-term (minimum three-year) financial and strategic goals;

executive benefits that are meaningful, competitive and comparable to those offered by similar organizations; and

an appropriate balance between base pay, short-term incentives, long-term incentives and benefits that provides total compensation below the 50th percentile of market for performance below median peer levels, at the 50th percentile of market for performance at median peer levels and above the 50th percentile of market for performance exceeding median peer levels.

In designing and administering executive compensation programs, the Compensation Committee strives to maintain an appropriate balance across all of the various compensation elements, realizing that at times some objectives may be in conflict with others. In addition, external factors, such as the unanticipated downturn in the economy occurring during 2008 or legislative changes impacting executive compensation programs, may impact the effectiveness of existing approaches to executive compensation. Such events require a careful reconsideration of existing approaches, and on an annual basis the Compensation Committee may make decisions and adjustments to future compensation programs to maintain the strategic objectives of executive compensation.

What Our Executive Compensation Program is Designed to Reward

Our executive officers' compensation program uses different components to reward different performance considerations. Base salary is provided to reward the executive for daily contributions and the application of their knowledge, experience and talent to the success of the Company. Base salary is also a reflection of the executive's external value in the job market and the internal value of their assigned roles and responsibilities to the success and ongoing viability of the Company.

Annual incentives are provided to focus performance on the key strategic short-term objectives defined and established on an annual basis. These incentives are strongly linked to the success of achieving annual goals and provide the executive with cash rewards commensurate with the Company's annual performance and the Board's assessment of the executive's personal performance.

Long-term incentives reward executives for the longer-term success of the Company. Over the past three years long-term incentives have been provided in the form of stock options and restricted stock with both time-based and performance-based vesting provisions. This equity-based compensation rewards executives for the long-term performance of the Company and maintains the alignment between executive compensation levels and shareholder value. As the value of the stock held by shareholders increases, the value of the equity-based long-term incentives provided to each executive increases. Conversely, as shareholder value declines, the value of the equity awards vesting for each executive declines.

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Benefits provided to each executive officer are in line with our broad-based employee benefits which meet basic health and welfare needs. Perquisites for our executives remain conservative and primarily serve to enhance the business development activities of our leadership.

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Process for Determining Executive Officer Compensation

Role of the Compensation Committee

The Compensation Committee administers the Company's executive compensation programs. During 2008, the Compensation Committee consisted of J. Raymond Fulp (Chairman), Daniel B. Jeter and Glenn A. Kirbo. In addition, Henry C. Wortman served as a member of the Compensation Committee prior to his retirement from the Board in April 2008. The members of the Compensation Committee all qualify as independent, outside members of the Board in accordance with the requirements of Nasdaq, current SEC regulations and Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code").

The Compensation Committee is responsible for all compensation decisions for the Chief Executive Officer and the other named executive officers. The Compensation Committee annually reviews the levels of compensation along with the performance results on goals and objectives relating to compensation for the named executive officers. Based on this evaluation, the Compensation Committee makes decisions related to executive compensation programs with final approval by the Board.

Additionally, the Compensation Committee periodically reviews our incentive plans and other equity-based plans. The Compensation Committee reviews, adopts and submits to the Board any proposed arrangement or plan and any amendment to an existing arrangement or plan that provides or will provide benefits to the executive officers collectively or to an individual executive officer. The Compensation Committee has sole authority to retain and terminate a compensation consultant or other advisor as it deems appropriate.

Role of the Executive Officers

The Chief Executive Officer, with the assistance of the Company's Chief Administrative Officer, annually reviews the performance of the other named executive officers, after which the Chief Executive Officer presents his conclusions and recommendations to the Compensation Committee for approval. The Compensation Committee has absolute discretion as to whether it approves the recommendations of the Chief Executive Officer or makes adjustments, as it deems appropriate. The Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer may also work with the Compensation Committee to gather and compile data needed for benchmarking purposes or for other analysis conducted by the Compensation Committee's independent consultants and advisors.

Role of the Compensation Consultant

In making compensation decisions for 2008, the Compensation Committee engaged Amalfi Consulting LLC to conduct an overall compensation review for the Company's top executive employees, including the named executive officers. In addition to the review of executive compensation, Amalfi Consulting LLC conducted a review and market comparison of the Company's short-term incentive plans, long-term incentive practices, health and welfare benefits and retirement benefits for all employees. Amalfi Consulting LLC reported directly to the Compensation Committee on all projects conducted and performed no other services for the Company in 2008.

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The Compensation Committee also worked with Matthews, Young & Associates, Inc. in the review and analysis of equity plan awards for all plan participants including our named executive officers. Matthews, Young & Associates, Inc. provided recommendations on equity grants for 2008 and guidance on related equity compensation issues. Matthews, Young & Associates, Inc. reported directly to the Compensation Committee on all work conducted and performed no other services for the Company in 2008.

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In September 2008, the Compensation Committee, in coordination with Amalfi Consulting LLC, conducted an overall review of the executive compensation program. As part of this review, a peer group of 18 banks comparable to the Company in terms of geographic location, asset size, growth and performance was selected. The peer group is presented in the table below. Values reported in the table are as of year-end 2007.

Company Name	Ticker	City	State	Total Assets MRQ (\$000)	Asset Growth 3 Yr (%)	ROAA 2007Y (%)	ROAE 2007Y (%)
1 Pinnacle Financial Partners, Inc.	PNFP	Nashville	TN	3,889,286	421.8	0.96	8.34
2 Green Bankshares, Inc.	GRNB	Greeneville	TN	2,912,615	139.0	0.98	8.96
3 Security Bank Corporation	SBKC	Macon	GA	2,818,477	166.4	0.25	2.10
4 Capital City Bank Group, Inc.	CCBG	Tallahassee	FL	2,692,512	10.7	1.18	9.68
5 SCBT Financial Corporation	SCBT	Columbia	SC	2,678,248	80.7	0.95	12.42
6 Seacoast Banking Corporation of Florida	SBCF	Stuart	FL	2,393,357	49.8	0.42	4.46
7 First Bancorp	FBNC	Troy	NC	2,380,134	41.4	1.02	12.77
8 BancTrust Financial Group, Inc.	BTFG	Mobile	AL	2,179,856	88.1	0.40	3.79
9 NewBridge Bancorp	NBBC	Greensboro	NC	2,119,475	124.9	-0.40	-4.33
10 TIB Financial Corp.	TIBB	Naples	FL	1,512,637	74.2	-0.18	-2.52
11 FNB United Corp.	FNBN	Asheboro	NC	2,035,283	120.9	0.66	5.81
12 Great Florida Bank	GFLB	Coral Gables	FL	1,850,387	429.3	0.06	0.50
13 Fidelity Southern Corporation	LION	Atlanta	GA	1,735,693	37.8	0.41	6.84
14 Southern Community Financial Corporation	SCMF	Winston- Salem	NC	1,690,452	28.3	0.50	5.45
15 Capital Bank Corporation	CBKN	Raleigh	NC	1,575,301	72.0	0.54	4.78
16 Yadkin Valley Financial Corporation	YAVY	Elkin	NC	1,425,212	26.2	1.31	11.32
17 Bank of Florida Corporation	BOFL	Naples	FL	1,404,034	211.4	0.23	1.54
18 Wilson Bank Holding Company	WBHC	Lebanon	TN	1,403,559	42.4	0.85	9.86
Average				2,149,807	120.3	0.56	5.65
50th Percentile				2,077,379	77.5	0.52	5.63
Ameris Bancorp	ABCB	Moultrie	GA	2,118,243	66.6	0.74	8.13

For each of our named executive officers, we selected peers with comparable titles and areas of responsibility (e.g., matching the Company's Chief Financial Officer with the Chief Financial Officer position in each of the peer banks). Due to unique aspects of our Executive Vice President and Chief Operating Officer position, we benchmarked that position based on salary rank. The table below provides a summary of how each named executive officer was benchmarked to the Company's peers.

Name	Title	Peer Comparison
Edwin W. Hortman, Jr.	President and CEO	CEO
Dennis J. Zember Jr.	EVP and CFO	CFO
C. Johnson Hipp, III	EVP and Banking Group President	Reg/Sub Pres
Marc J. Bogan	EVP and COO	4th Highest(1)
Jon S. Edwards	EVP and Director of Credit Administration	CCO/CLO

(1) Based on ranking of salaries among the peer group organizations.

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The peer group comparison provided the primary market data upon which we determined the market standing of our executive compensation levels. In addition to the peer group data which provided benchmarks for all elements of our executive compensation program, we also reviewed survey data available on cash compensation (base salary and incentive/bonus compensation). Data was compiled from the following compensation surveys of the banking and financial services industry: America's Community Bankers' Compensation Survey, Bank Administration Institute's Bank Cash Compensation Survey and Key Executive Compensation Survey, Crowe Chizek Financial Institutions Compensation Survey, Mercer Retail Banking Compensation Survey and the Watson-Wyatt Financial Institutions Compensation Survey.

Elements of Compensation

Total direct compensation includes cash, in the form of base salary and annual incentives, and long-term equity incentives. The Compensation Committee evaluates the mix between these elements based on the pay practices of comparable companies. The Compensation Committee strives to be fully informed in its determination of the appropriate compensation mix and award levels for the named executive officers, including consideration of publicly available information and the retention of compensation consultants when deemed appropriate. The Compensation Committee's guiding principles of fairness to employees, retention of talented executives and fostering improved Company performance guide all of its compensation decisions. With respect to the named executive officers, the elements of compensation used during 2008 to compensate the executive officers include the following:

base salary;

annual incentives;

long-term equity awards;

retirement benefits;

health and insurance benefits; and

perquisites.

Following is a discussion of each element of compensation listed above, including the purpose of each element of compensation, why we elect to pay each element of compensation, how each element of compensation was determined by the Compensation Committee and how each element and our decisions regarding the payment of each element relate to our goals.

Base Salary

It is the Company's philosophy that employees be paid a base salary that is competitive with the salaries paid by comparable organizations based on each employee's experience, performance and any other unique factors or qualifications. Generally, the Company has chosen to position cash compensation at market median levels in order to remain competitive in attracting and retaining executive talent. The allocation of total cash compensation between base salary and annual bonus is based on a variety of factors. In addition to the market positioning of the base salary and

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the mix of total compensation, the Compensation Committee also takes into consideration the following:

the executive's performance;

the performance of the Company;

the performance of the individual business or corporate function for which the executive is responsible;

the nature and importance of the position and role within the Company;

the scope of the executive's responsibility; and

the current compensation package in place for that executive, including the executive's current annual salary and potential bonus awards under the Company's bonus plan.

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In the following table we summarize the changes in base compensation made during 2008. Due to the economic environment and the corresponding impact of the economy on the Company's performance, there were no merit base salary increases provided to any of our named executive officers. Mr. Edwards received a one-time adjustment in his base pay in connection with his agreement to forfeit the provision of a company car on a going-forward basis. Mr. Bogan received both a market adjustment and a promotional increase to reflect his promotion to Executive Vice President in June 2008.

Named Executive Officer	2007 Base Salary	2008 Base Salary	Merit Increase	Market Adjustment	Promotion Increase	Other	Total Adjustment
Edwin W. Hortman, Jr.	\$ 400,000	\$ 400,000	0.00%	0.00%	0.00%	0.00%	0.00%
Dennis J. Zember Jr.	\$ 215,000	\$ 215,000	0.00%	0.00%	0.00%	0.00%	0.00%
C. Johnson Hipp, III	\$ 225,000	\$ 225,000	0.00%	0.00%	0.00%	0.00%	0.00%
Marc J. Bogan	\$ 165,000	\$ 185,000	0.00%	4.36%	7.76%	0.00%	12.12%
Jon S. Edwards	\$ 169,000	\$ 176,500	0.00%	0.00%	0.00%	4.44%	4.44%
Totals for All Named Executive Officers	\$ 1,174,000	\$ 1,201,500					2.34%

The base salary adjustments for Mr. Bogan maintain his base pay levels in line with our philosophy to pay near the market median. Based on the analysis and peer benchmarking conducted by Amalfi Consulting LLC, 2008 base salaries for all of our named executive officers fall within a competitive range to the market median ($\pm 15\%$ of the market median). The sum total of all base pay provided to the named executive officers as a group increased by 2.34% over 2007 levels. These increase levels are well below historical levels and reflect current movement in executive compensation levels and the impact of the current economy on the job market.

Annual Incentives

Annual incentives are provided to the executive officers through the Company's 2008 Annual Incentive Compensation Plan (the "AIP"). Annual incentives are primarily designed to focus the executive officers on our goals for a particular year and to reward executive officers upon achievement of those goals. The Compensation Committee believes that a formalized plan, with specifically defined and clearly communicated goals, helps strengthen the link between pay and performance.

The AIP covers all employees and groups them into tiers based upon position and level. All employees hired by November 30, 2008 were eligible, with payments prorated based upon earned base salary for the year. Payout opportunities are defined in terms of a percentage of base pay, and employees on probation as of mid-December 2008 or January 31, 2009 were ineligible to receive a payment. The table below provides the earning opportunity ranges for each tier; our named executive officers all fall within Group 1.

Tier	Guideline Opportunity Amount (% of Base Salary)
Group 1: Executive Officers	30-50%
Group 2: Exempt Staff	5-40%
Group 3: Non-exempt Staff	5%

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Under the AIP, each participant has customized department/individual goals in addition to the overall Company-wide goals used to determine plan funding. The Compensation Committee retains the authority to adjust payouts above or below the amounts calculated based upon target opportunity and Company-wide performance. Adjustments by the Compensation Committee are primarily based upon the Compensation Committee's assessment of the individual performance of the named executive officer. If the Compensation Committee determines an amount above target is appropriate, the additional amount may be provided in the form of cash or equity.

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In 2008, the Board, in conjunction with recommendations by executive management, set a Company-wide performance goal of 25% growth in earnings per share to fund the incentive pool at 100% (target payouts). A 20% growth in earnings per share would have funded the pool at 80%. These goals were based on historical performance of the Company as well as budgeted expectations for the year and are typically high performing goals above peer average. Due to the extraordinary events in our economy during 2008, and the resulting impact of these events on our performance, the Company failed to achieve the target or threshold levels required to fund the pool. As a result of the Company's performance, no bonus payments were made to our named executive officers, consistent with our philosophy to use incentive compensation as a reward for strategic performance goal achievement. This is the second consecutive year in which our named executive officers did not receive incentive compensation payments. The table below provides information regarding the named executive officers' opportunity and payout under the AIP for 2008.

<u>Named Executive Officer</u>	<u>2008 AIP Opportunity (% of base)</u>	<u>2008 AIP Opportunity (\$ Amount)</u>	<u>Actual Payout for 2008 Under the AIP</u>
Edwin W. Hortman, Jr.	50%	\$ 200,000	\$ 0
Dennis J. Zember Jr.	40%	\$ 86,000	\$ 0
C. Johnson Hipp, III	40%	\$ 90,000	\$ 0
Marc J. Bogan	40%	\$ 74,000	\$ 0
Jon S. Edwards	40%	\$ 70,600	\$ 0

The lack of incentive compensation positions our cash compensation (base salary plus annual incentive pay) below the 50th percentile of our peers for all of our named executive officers. On average, cash compensation for our named executive officers was 11% below the peer group median in 2008. These results reflect the strong alignment between incentive pay-and-performance in our compensation philosophy.

Long-Term Equity Awards

The Compensation Committee believes there should be a significant equity-based component to executive compensation because this best aligns the executives' interests with those of the Company's shareholders. For purposes of retention, the Compensation Committee believes that the equity-based compensation should have meaningful conditions to encourage valued employees to remain with the Company.

The Company's officers and certain other employees may participate in the Company's shareholder-approved 2005 Omnibus Stock Ownership and Long-Term Incentive Plan (the 2005 Plan). The 2005 Plan document is set forth as *Appendix A* to the Company's Definitive Proxy Statement for the Company's 2005 annual meeting of shareholders. Awards may be granted under the 2005 Plan from time to time and may be in the form of qualified or nonqualified stock options, restricted stock, stock appreciation rights, long-term incentive compensation units consisting of a combination of cash and Common Stock or any combination thereof within the limitations set forth in the 2005 Plan.

The 2005 Plan provides that awards may be made for 10 years from its effective date of March 10, 2005. The 2005 Plan is administered by the Compensation Committee, which selects eligible employees to participate in the 2005 Plan and determines the type, amount and duration of all individual awards. Prior to the adoption of the 2005 Plan, equity awards were granted pursuant to the ABC Bancorp Omnibus Stock Ownership and Long-Term Incentive Plan that was adopted in 1997 and which now is operative only with respect to the exercise of options that remain outstanding under such plan.

The Compensation Committee carefully considers the following factors when determining the type and amount of equity to award:

prior awards issued to the executive officer;

the current amount and intrinsic value of unvested equity held by the executive officer;

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current number of shares owned by the executive officer;

proportion of total compensation on an annual basis consisting of equity awards; and

market data on the median level of equity awarded to comparable positions.

Equity awards provided to our named executive officers under the 2005 Plan have historically consisted of annual awards of incentive stock options, restricted stock grants or a blend of these two vehicles. Vesting schedules applied to these awards ranged from three- to five-year periods. Between 2005 and 2007, all equity awards to our named executive officers were granted with performance conditions applied in addition to time-based requirements. The intent of applying performance vesting provisions was two-fold first to increase the ability to drive performance with equity awards beyond the innate performance nature of equity, and second, to provide the Company with the ability to reverse the expense associated with equity grants should performance goals fail to be achieved. The drawback of the approach is that performance-vesting on all equity awards leads to the possible risk of the officers holding no actively vesting awards and thereby leaving nothing of value behind should they choose to voluntarily resign from the organization. In such event, the equity grants lose all possible retention value.

In light of this misalignment with regards to our compensation strategy of using equity to both motivate and retain employees, an adjustment was made to the equity awards granted in 2008. The following 2008 grants were awarded to our named executive officers with consideration given to our recent history involving three years of performance-based grants that either have been cancelled, are currently underwater and have no intrinsic value or will be highly unlikely to vest due to the extraordinary economic conditions of the past two years and which are likely to continue through 2009.

Named Executive Officer	Type of Equity Awarded(1)	Number of Options	Fair Market Value(2)	Value as a Percent of Base Salary	Vesting Provision
Edwin W. Hortman, Jr.	ISO	25,000	\$ 85,250	21.3%	100% cliff-vesting at the end of 3 years
Dennis J. Zember Jr.	ISO	7,500	\$ 25,575	11.9%	100% cliff-vesting at the end of 3 years
C. Johnson Hipp, III	ISO	15,000	\$ 51,150	22.7%	100% cliff-vesting at the end of 3 years
Marc J. Bogan	ISO	7,500	\$ 25,575	13.8%	100% cliff-vesting at the end of 3 years
Jon S. Edwards	ISO	5,000	\$ 17,050	9.7%	100% cliff-vesting at the end of 3 years

- (1) ISO = incentive stock option. Incentive stock options receive special tax treatment with a qualifying disposition.
- (2) Assumptions used to calculate fair market value are provided in Note 15 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008. The Black-Scholes calculation resulted in a \$3.41 fair market value per share for these awards.

The 2008 grants focus primarily on retention, through the time-vested three-year period in which none of the awards vest until the end of the vesting period. The use of options provides a component of performance motivation since the awards, despite having a fair-market value, will have no intrinsic value unless there is an increase in stock price. The levels of the awards provided to each named executive officer were based on the analysis conducted by Matthews, Young & Associates, Inc. and were targeted to provide equity and levels comparable to peers at the market median for these positions.

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Perquisites

The Company provided the following perquisites in 2008 to certain executive officers:

company car; and

club membership.

The total cost for all of these perquisites for all of our named executive officers was approximately \$16,289. No individual named executive officer received a total value of perquisites in excess of \$6,000 during 2008. We provide further details on perquisites in a supplementary table following the Summary Compensation Table below.

We view certain perquisites as being beneficial to the Company, in addition to being compensatory to the executive officers. For example, the club memberships are regularly used in the general course of our business, such as for business meetings or entertaining. The company cars are used primarily for business purposes. In addition, these perquisites, at a minor expense to the Company, provide a useful benefit in our efforts to recruit, attract and retain top executive talent.

Retirement Benefits

We do not have a defined benefit pension plan or a nonqualified deferred compensation plan. However, executive officers are eligible to participate in our 401(k)/profit sharing retirement plan, which is a Company-wide, tax-qualified retirement plan. The intent of this plan is to provide all employees with a tax-advantaged savings opportunity for retirement. We sponsor this plan to help employees in all levels of the Company save and accumulate assets for use during their retirement. As required, eligible pay under this plan is capped at Internal Revenue Code annual limits. The Company matches employee contributions at a rate of \$0.50 per \$1.00 of applicable contributions, up to a maximum of 6.0% of compensation. In addition to the match on employee contributions, the Company provides a discretionary non-elective contribution of 5% of the employee's compensation. Company contributions to the 401(k)/profit sharing plan vest on equal annual installments over a five-year period.

In addition, we also provide our employees with an employee stock purchase plan, which provides the employee with the opportunity to purchase shares of Common Stock via payroll deduction. The minimum purchase is \$50 and the plan does not provide discounts or look-back features. The plan covers the administrative costs involved in the purchase of the stock.

Health and Welfare Plans

The named executive officers are eligible to participate in Company-sponsored benefit plans on the same terms and conditions as those generally provided to salaried employees. Basic health benefits, dental benefits and similar programs are provided to make certain that access to healthcare and income protection is available to our employees and their family members. Health benefits also include a Section 125 plan or a health

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savings account to provide for pre-tax deferral for non-reimbursable health expenses. The cost of Company-sponsored benefit plans are negotiated with the providers of such benefits and the executive officers contribute to the cost of the benefits.

Total Compensation

The allocation of total compensation between base salary, annual bonus, long-term (equity) compensation and other compensation is based on a variety of factors. The Compensation Committee considers a combination of the executive's performance, the performance of the Company and the individual business or corporate function for which the executive is responsible, the nature and importance of the position and the executive's role within the Company.

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The Company incorporates a significant portion of the named executive officers' compensation in the form of annual incentives. As discussed above, the annual incentive plan is tied to earnings per share and provides a strong link between executive compensation and shareholder interests. The chart below presents the impact of the decline in earnings per share on the total compensation as reported in our Summary Compensation Table for our named executive officers in 2008.

The impact of performance is reflected in the reduction in annual incentives for 2007 and the reduction in both annual incentives and equity awards in 2008. With the exception of Messrs. Hipp and Bogan, who both assumed their roles in 2006, total compensation for the remaining named executive officers declined an average of 26% in 2007 and 30% in 2008. Messrs. Hortman and Zember were the most significantly impacted, experiencing 50% and 30% declines in total compensation, respectively.

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In the chart below, we present the actual pay mix results during 2006 through 2008 for each of our named executive officers. This presentation modifies the pay levels to account for the reversal of equity awards in 2007. Due to performance-vesting requirements, certain equity awards failed to vest and the expense for these awards was reversed. Because of the link between incentive pay and performance (earnings per share), total compensation not only declined overall, but the portion of total compensation comprised of incentive pay decreased by approximately 25-30% over the past two years with no annual incentives paid for any of our named executive officers in 2008.

Other Considerations Affecting Compensation of Named Executive Officers

The Emergency Economic Stabilization Act of 2008 (EESA) and the American Recovery and Reinvestment Act of 2009 (ARRA)

On October 14, 2008, the United States Department of the Treasury (the Treasury) announced a program under EESA in which the Treasury would make preferred stock investments in participating financial institutions. The program, known as the Capital Purchase Program (CPP) under the Troubled Asset Relief Program (TARP), provides a means for financial institutions to receive capital through sales of preferred stock and common stock purchase warrants to the Treasury. The Company considered several factors when deciding whether to participate in the CPP.

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Although the Company's common equity and earnings stream was deemed sufficient to withstand certain severe recessionary trends, management was unsure how deep the economic downturn would be or how severe its impact would be on the Company. Also, certain strategies concerning growth and continued customer acquisition efforts might have been reduced had opportunities for additional capital strength, such as the opportunity presented by the CPP, not materialized. The Company took part in the CPP and on November 21, 2008 received \$52,000,000 in funds. As a result, we became subject to certain executive compensation requirements under Treasury regulations which are discussed in greater detail below.

On February 17, 2009, President Barack Obama signed ARRA into law. ARRA amends Section 111 of EESA and adds additional executive compensation requirements for CPP participants. ARRA also includes provisions directing the Treasury and the SEC to impose additional limits on compensation of executives of companies that participate in the CPP as long as the Treasury owns preferred stock or stock purchase warrants of such companies under the CPP.

The following requirements currently apply to all CPP participants, although further clarification is pending from the Treasury on certain aspects of these rules. Senior Executive Officers (SEOs), for purposes of EESA and ARRA, are defined as the top five most highly compensated executives of a public company whose compensation is required to be disclosed pursuant to SEC regulations. The SEOs of the Company are likely to be the same individuals as those comprising the named executive officers presented in this Proxy Statement. The requirements related to executive compensation are as follows:

Limits on Incentive Compensation The scope of limits on incentive compensation vary based upon the amount of funds received under the CPP. Since the Company received over \$25 million but less than \$250 million in funds, the following limits apply only to the five most highly compensated employees of the Company (the SEOs):

CPP participants are prohibited from paying or accruing any bonus, retention award or incentive compensation for the covered employee. This prohibition does not apply to any bonus payments required to be paid pursuant to a written employment agreement executed on or before February 11, 2009.

This prohibition does not apply to the granting of long-term restricted stock provided that the equity does not fully vest during CPP participation and is not awarded on an annual basis at a value exceeding one-third of the covered employee's total annual compensation.

Prohibition on Compensation that Provides an Incentive to Take Unnecessary and Excessive Risks This restriction prohibits the participating financial institution from providing incentive compensation arrangements that encourage SEOs to take unnecessary and excessive risks that threaten the value of the financial institution. Treasury regulations also require the institution's compensation committee to review SEO incentive compensation arrangements with its senior risk officers to ensure that the SEOs are not encouraged to take such risks. The regulations require the institution's compensation committee to meet at least semi-annually with its senior risk officers to discuss and review the relationship between its risk management policies and practices and the SEO incentive compensation arrangements. The Compensation Committee has performed this review, and its conclusions are included in its report within this Proxy Statement.

Clawback on Incentive Compensation Compensation plans must provide for the recovery of any bonus, retention award or incentive compensation paid to SEOs and the next 20 most highly compensated employees (up to a total of 25 employees) that were based upon financial statements or other criteria that are later to be found to be materially inaccurate. In addition, compensation plans that would encourage manipulation of reported earnings to enhance the compensation of any employee are prohibited.

Limit on Tax Deduction This provision of EESA requirements limits the tax deduction for compensation paid to any SEO to \$500,000 annually. This provision of EESA amended Section 162(m)

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of the Internal Revenue Code by adding Section 162(m)(5), which sets forth the \$500,000 deduction limit. In addition, prior to the amendment, certain performance-based compensation paid under shareholder-approved plans did not count toward such deduction limit. EESA and Section 162(m)(5) eliminate that exclusion for the Company.

Prohibitions on Golden Parachutes CPP participants are prohibited from making any golden parachute payments to CEOs and the next five most highly compensated employees (up to a total of ten employees). Golden parachute payments are defined as any payment for departure from a company for any reason, except for payments for services performed or benefits accrued. The estimated impact of this prohibition on the named executive officers is included within the portion of this Proxy Statement titled Potential Payments Upon Termination or Change in Control .

Limitations on Luxury Expenditures A CPP participant must have a policy regarding excessive or luxury expenditures, including entertainment or events, office and facility renovations, aviation or other transportation services, and other activities or events that are not reasonable expenditures for staff development or reasonable performance incentives. Although a formal policy is not currently in place, the Company currently does not provide such expenditures and has not historically done so. For more details on the extent of perquisites and other expenditures provided to our CEOs, see the supplementary table on perquisites which follows the Summary Compensation Table below.

Certificate of Compliance The Chief Executive Officer and Chief Financial Officer of a CPP participant must provide certification in writing of compliance with the executive compensation guidelines to the SEC.

Non-Binding Advisory Proposal on Executive Compensation As required by ARRA, based on recent guidance issued by the SEC, the Board authorized a non-binding advisory shareholder vote on the Company's executive compensation plans, programs and arrangements. This proposal is included in this Proxy Statement.

Prior to selling the Company's preferred stock to the Treasury, each of our CEOs executed an agreement that reduces his compensation and other benefits to the extent necessary to comply with these EESA requirements. These agreements will remain effective for so long as Treasury owns any of the Company's CPP debt or equity securities. With respect to actions yet to be taken, the Company is currently awaiting further guidance from the Treasury, but intends to fully comply with such guidance once it is published.

Financial Restatement

Under TARP, participants in the CPP are required to implement clawback provisions on all incentive programs. The guidelines state that all compensation plans must provide for the recovery of any bonus, retention award or incentive compensation paid to CEOs and the next 20 most highly compensated employees (up to 25 employees) that were based on financial statements or other criteria that are later found to be materially inaccurate. Clawback provisions are currently implemented for all named executive officer incentive compensation elements.

Stock Ownership Requirements

To further ensure that the long-term interests of the Company's senior management are aligned with those of the Company's shareholders, the named executive officers, as well as the Company's directors and other officers, are required by the Company's stock ownership guidelines to acquire and maintain a specified investment in the Company. Our current guidelines require our directors to own shares of stock with a total value of five times their annual director fees, and all of our directors previously met this requirement. We require our named executive officers to accumulate within five years of becoming an officer shares of stock with a total value of three times their base salary. Prior to the market volatility of 2008, the majority of our named executive officers either met or were on course to meet these ownership requirements; however,

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due to the recent decline in the price of our Common Stock and market volatility, this may no longer be the case, even though ownership

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levels in terms of numbers of shares of Common Stock owned remained consistent. The Board and the Corporate Governance and Nominating Committee intend to review the guidelines during 2009 and may refine them to address the impact of stock price volatility.

Securities Trading Policy

The Board has adopted an insider trading policy statement. The provisions of this policy expressly prohibit directors, officers or other employees from trading, either directly or indirectly, in securities of the Company after becoming aware of material nonpublic information related to the Company. To further ensure adherence with this policy, guidelines have been established for blackout periods and for appropriate disclosure of internal information to external parties. The insider trading policy provides guidance as to what constitutes material information and when information becomes public. The insider trading policy addresses transactions by family members and under Company plans, as well as other transactions which may be prohibited, such as short-term trading, short sales, publicly trading in options, hedging transactions, margin purchases and post-termination transactions. The policy discusses the consequences of an insider trading violation, additional trading restrictions and certain reporting requirements applicable to directors, officers and designated key employees. The policy requires all senior officers, including all named executive officers, to provide written certification of their understanding of, and intent to comply with, the policy.

Policy on Stock Options Repricing

Stock options are granted at the fair market value of a share of Common Stock on the date of grant and are not subject to repricing.

Policy on Timing of Stock Option Awards

The timing of stock awards under an established plan must be consistent with program guidelines. In every instance, the Board will approve any stock award prior to the granting of such an award. Stock option awards must be approved by the Board and should always be dated subsequent to the date of Board approval.

Tax Deductibility of Executive Officer Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over \$1 million paid to a corporation's Chief Executive Officer and the four other most highly compensated executive officers.

In connection with the compensation of our named executive officers, the Compensation Committee is aware of Section 162(m) as it relates to deductibility of qualifying compensation paid to our named executive officers. To date, this provision has had no effect on the Company because no officer of the Company has received \$1.0 million in applicable remuneration in any year. In addition, the Compensation Committee believes that compensation earned for 2008 does not exceed the deductibility limitations on non-excluded compensation to our named executive officers.

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TARP participants are subject to additional provisions under Section 162(m)(5) of the Internal Revenue Code which limits the deduction of compensation to \$500,000 per year for CEOs. Compensation covered by this limitation is more broadly defined than that for Section 162(m) generally and includes incentive compensation and deferred compensation. This provision applies to the period during which the Company is a participant in the CPP. The Compensation Committee intends to give strong consideration to the deductibility of compensation in making its compensation decisions for executive officers in the future, again balancing the goal of maintaining a compensation program which will enable the Company to attract and retain qualified executives with the goal of maximizing the creation of long-term shareholder value.

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Employment Agreements

We currently maintain an employment agreement with each of our named executive officers. The employment agreements provide for the payment of severance to the executive officer upon a termination by the executive for good reason (as defined) in connection with a Change of Control (as defined). Payments are not provided with respect to other termination scenarios. We do not maintain a separate severance plan for our executive officers. Severance benefits for each executive officer are limited to those set forth in the executive officer's employment agreement. In 2008, all agreements were modified to maintain documentary compliance with Internal Revenue Code Section 409A.

Set forth below are the general terms and conditions of each named executive officer's employment agreement. During the period of the Company's participation in the CPP, certain payouts under the agreement may be prohibited. Under current TARP regulations, no payment associated with a termination from employment may be provided to a CEO. We present the impact of these prohibitions in the section of this Proxy Statement titled Potential Payments Upon Termination or Change in Control.

General Agreement Provisions

All agreements limit severance benefits to a termination of employment by the executive for good reason in association with a Change of Control and cap payments with respect to Section 280G of the Internal Revenue Code. The following summarizes the definition of good reason as set forth in the agreements:

a change in the executive's reporting responsibilities, titles or offices or any removal of the executive from, or any failure to re-elect the executive to, any of the executive's positions held which has the effect of diminishing the executive's authority or responsibility;

a reduction in base salary or change in bonus opportunity or incentive performance plan criteria adversely affecting the executive;

requiring the executive to relocate (either outside of the state or outside a 50-mile radius of current executive offices);

a failure to continue health, welfare and benefit plans without a replacement, or to reduce the existing benefits under such plans; or