

INTERCEPT INC
Form DEF 14A
June 01, 2004

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
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

INTERCEPT, INC.

(Name of Registrant as Specified in Its Charter)

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

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- No fee required.
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(3) Filing Party:

(4) Date Filed:

**3150 Holcomb Bridge Road
Norcross, Georgia 30071**

June 1, 2004

Dear InterCept Shareholder:

We cordially invite you to attend our 2004 annual meeting of shareholders to be held on Thursday, June 24, 2004 at 8:30 a.m. EDT at the Hilton Atlanta Northeast, 5993 Peachtree Industrial Boulevard, Norcross, Georgia. At the meeting, we will present a report on our operations, vote on the election of two Class III directors as described in the accompanying notice of annual meeting and proxy statement and discuss any other matters properly brought before the meeting.

JANA Master Fund, Ltd., a hedge fund organized in the Cayman Islands, has advised InterCept of its intentions (a) to nominate and solicit proxies for an opposition slate of two director nominees for election to our board of directors at the annual meeting, and (b) to solicit proxies for three amendments to our bylaws that JANA intends to propose at the annual meeting. See Proxy Contest and JANA Proposals below.

THE BOARD URGES SHAREHOLDERS TO VOTE FOR THE ELECTION OF THE BOARD'S NOMINEES NAMED IN THIS PROXY STATEMENT AND AGAINST THE THREE JANA PROPOSALS DESCRIBED IN THIS PROXY STATEMENT. YOU CAN VOTE YOUR SHARES BY SIGNING AND DATING THE ENCLOSED WHITE PROXY CARD AND RETURNING IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS REJECT JANA'S SHAREHOLDER PROPOSALS AND NOMINEES, IF JANA PROCEEDS WITH ITS PLAN TO SOLICIT PROXIES.

We have included a copy of our annual report to shareholders with the proxy statement and encourage you to read both of them. The annual report includes our audited financial statements for the year ended December 31, 2003, as well as information on our operations, markets, products and services.

Your vote is very important, and we appreciate your cooperation in considering and acting on the matters presented.

Sincerely,

/s/ John W. Collins

John W. Collins

Chairman of the Board and Chief Executive Officer

NOTICE OF 2004 ANNUAL MEETING OF SHAREHOLDERS

Date: Thursday, June 24, 2004
Time: 8:30 a.m. EDT
Place: Hilton Atlanta Northeast
5993 Peachtree Industrial Boulevard
Norcross, Georgia

To InterCept s shareholders:

InterCept will hold its 2004 annual meeting of shareholders at the Hilton Atlanta Northeast, 5993 Peachtree Industrial Boulevard, Norcross, Georgia on Thursday, June 24, 2004 at 8:30 a.m. The purposes of the annual meeting are:

1. to elect two Class III directors;
2. to vote on three proposals by JANA Master Fund, Ltd. if the proposals are properly brought before the meeting the board of directors opposes these proposals and believes that one of them is invalid under Georgia law; and
3. to transact any other business that may properly come before the meeting or any adjournments of the meeting.

Only shareholders of record at the close of business on April 15, 2004 are entitled to vote at the annual meeting and any adjournments.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE VOTE YOUR SHARES BY SIGNING, DATING AND MAILING THE ENCLOSED WHITE PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED. If you are present at the meeting and desire to do so, you may revoke your proxy and vote in person.

THE BOARD ALSO URGES THAT YOU NOT SIGN ANY PROXY CARDS SENT TO YOU BY JANA. YOU CAN REVOKE ANY JANA PROXY CARD YOU HAVE PREVIOUSLY SIGNED BY SIGNING, DATING AND MAILING THE ENCLOSED WHITE PROXY CARD.

IF YOU HAVE ANY QUESTIONS OR NEED ASSISTANCE IN VOTING, PLEASE CONTACT US BY CALLING OUR PROXY SOLICITOR, INNISFREE M&A INCORPORATED, TOLL FREE AT 888-750-5834.

/s/ John W. Collins
John W. Collins
Chairman of the Board and
Chief Executive Officer
June 1, 2004

**PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD JUNE 24, 2004**

InterCept, Inc. is furnishing this proxy statement to you in connection with its solicitation of proxies on behalf of its board of directors for the 2004 annual meeting of shareholders. We are mailing these proxy materials to shareholders on or about June 1, 2004.

At the annual meeting, the board of directors will ask our shareholders:

1. to elect two Class III directors;
- 2.

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to vote on three proposals by JANA Master Fund, Ltd. if the proposals are properly brought before the meeting the board of directors opposes these proposals and believes that one of them is invalid under Georgia law; and

3. to transact any other business that may properly come before the meeting or any adjournments of the meeting.

JANA Master Fund, Ltd., a hedge fund organized in the Cayman Islands, has advised InterCept of its intentions (a) to nominate and solicit proxies for an opposition slate of two director nominees for election to our board of directors at the annual meeting, and (b) to solicit proxies for the above amendments to our bylaws that JANA intends to propose at the annual meeting. See Proxy Contest and JANA Proposals below.

THE BOARD URGES SHAREHOLDERS TO VOTE FOR THE ELECTION OF THE BOARD'S NOMINEES NAMED IN THIS PROXY STATEMENT AND AGAINST THE THREE JANA PROPOSALS DESCRIBED IN THIS PROXY STATEMENT. YOU CAN VOTE YOUR SHARES BY SIGNING AND DATING THE ENCLOSED WHITE PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE.

THE BOARD RECOMMENDS THAT SHAREHOLDERS REJECT JANA'S SHAREHOLDER PROPOSALS AND NOMINEES, IF JANA PROCEEDS WITH ITS PLAN TO SOLICIT PROXIES.

Except for procedural matters, the board of directors does not know of any matters other than those described in the notice of annual meeting that will properly come before the meeting. If any other matter is properly brought before the annual meeting, the persons named in the proxy card will vote the shares represented by the proxies on that matter in their discretion.

The board of directors encourages you to read this document thoroughly and to take this opportunity to vote on the matters to be decided at the annual meeting.

The date of this proxy statement is June 1, 2004.

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FORWARD-LOOKING STATEMENTS

Certain statements made in this proxy statement and other written or oral statements made by or on behalf of InterCept in connection with the proxy contest described above may constitute forward-looking statements within the meaning of the federal securities laws. Statements regarding future events and developments and InterCept's future performance, as well as management's expectations, beliefs, intentions, plans, estimates or projections relating to the future, are forward-looking statements within the meaning of these laws. Although management believes that these forward-looking statements are reasonable, you should not place undue reliance on such statements. These statements are based on current expectations and speak only as of the date of such statements. InterCept undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise. Important risk factors regarding InterCept are included in InterCept's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 under the caption Management's Discussion and Analysis of Financial Condition and Results of Operations Disclosure Regarding Forward-Looking Statements.

PROXY CONTEST

An InterCept shareholder, JANA Master Fund, Ltd. (together with JANA Partners LLC, its investment manager, JANA), has advised InterCept of its intention (a) to nominate and solicit proxies in support of an opposition slate of two nominees for election to our six-person board of directors at our 2004 annual meeting, and (b) to solicit proxies in support of three amendments to our bylaws (the JANA Proposals) that JANA has stated it intends to propose at the annual meeting. Please see JANA Proposals and Information about Proxy Contest below for additional information.

VOTING PROCEDURES

Your vote is very important.

Your shares can be voted at the annual meeting only if you have sent in your proxy or you are present at the meeting. Whether or not you plan to attend the annual meeting, please vote by proxy to ensure that your shares will be represented. Properly executed proxies that are received before the polls are closed will be voted in accordance with the directions provided in the proxy. **If no directions are given on your WHITE proxy card with respect to any proposal properly brought before the meeting, your shares will be voted as follows with respect to any such proposal: FOR the election of the InterCept board of directors two nominees for the Class III seats on the board of directors and AGAINST Proposal No. 2, Proposal No. 3 and Proposal No. 4. If any other matter is properly brought before the annual meeting, the persons named in the proxy card will vote such proxy on such matters in their discretion.**

Who can vote?

Only shareholders of record as of the close of business on April 15, 2004 are entitled to vote. On that day, 20,272,148 shares of common stock and 100,000 shares of Series A preferred stock were outstanding and eligible to vote. Each share of common stock entitles the holder to one vote on each matter presented at the annual meeting. Each share of Series A preferred stock entitles the holder to

7.1581961 votes on each matter presented at the annual meeting. (Under our articles of incorporation, this amount is determined by dividing the original Series A preferred stock sale price per share of \$100.00 by the initial conversion price of \$13.97 per share, which equals 7.1581961.) A list of shareholders eligible to vote will be available at the annual meeting.

How do I vote?

You may vote by signing, dating and returning your WHITE proxy card in the enclosed postage-paid envelope. If you receive more than one WHITE proxy card, you should sign, date and return each WHITE proxy card you receive. You also may vote in person at the meeting. If you hold your shares through a brokerage account, however, you must request a legal proxy from your stockbroker to vote at the meeting. Whether or not you plan to attend the annual meeting, we ask you to vote by signing, dating and returning your WHITE proxy today.

If I plan to attend the 2004 annual meeting, should I still submit a proxy?

Whether you plan to attend the 2004 annual meeting or not, we urge you to submit a WHITE proxy card. Returning the enclosed WHITE proxy card will not affect your right to attend the 2004 annual meeting and vote in person.

What if I am not the record holder of my shares?

If your shares are held in the name of a brokerage firm, bank nominee or other institution (custodian), only your custodian can execute a proxy on your behalf. You should sign, date and return the WHITE proxy card provided by your custodian. If you need assistance, please contact Innisfree M&A Incorporated, toll free at 888-750-5834.

If your shares are held in the name of a custodian, and you want to vote in person at the 2004 annual meeting, you must request a document called a legal proxy from your custodian and bring it to the 2004 annual meeting. If you need assistance, please contact Innisfree M&A Incorporated, toll free at 888-750-5834.

What should I do if I receive a proxy card from JANA?

JANA may solicit proxies. DO NOT SIGN OR RETURN ANY PROXY CARD FURNISHED BY JANA.

CAUTION: Even a vote **against** JANA's nominees or **against** a JANA Proposal on their card will cancel any previous proxy given to InterCept.

If you have already sent a proxy card to JANA, you may revoke it and provide your support to the InterCept nominees and the board's recommendations as to the JANA Proposals by signing, dating and returning the enclosed WHITE proxy card. Only your latest dated proxy will count.

Can I change my vote?

If you change your mind after you return a proxy, you may revoke it and change your vote at any time before the polls close at the meeting. You may do this by:

- o signing another proxy with a later date,

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- o voting in person at the meeting, or
 - o revoking it by giving written notice to our corporate Assistant Secretary, Carole Collins, at our headquarters, and executing a new proxy.

Likewise, if you have already sent a proxy card to JANA, you may REVOKE it and support our nominees by simply signing, dating and returning our enclosed WHITE proxy card.

How are votes counted?

Shares of our common stock and shares of our preferred stock (considered on an as-converted to common stock basis) representing a majority of the votes entitled to be cast at the 2004 annual meeting must be present at the meeting, either in person or by proxy, to hold the meeting and conduct business. This is called a quorum. Shares will be counted for quorum purposes if they are represented at the meeting for any purpose other than solely to object to holding the meeting or transacting business at the meeting. Abstentions and broker non-votes count as present for establishing a quorum. A broker non-vote occurs with respect to a proposal when a broker is not permitted to vote on that proposal without instruction from the beneficial owner of the shares and no instruction is given.

If a quorum is present, the two director nominees receiving the highest number of votes for their election will be elected as directors. This number is called a plurality. The vote required to approve the bylaw amendments to be proposed by JANA is described below under the caption

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JANA Proposals. For any other matter coming before the meeting, the matter will be deemed to be approved if the votes cast in favor of the action exceed the votes cast opposing the action. Shareholders do not have cumulative voting rights.

Who will count the vote?

A representative of IVS Associates, an independent inspector of election, will tabulate and certify the shareholder vote.

Who will solicit proxies, and who pays for the cost of the proxy solicitation?

We will pay the cost involved in soliciting proxies. In addition to the use of the mails, our directors and some of our executive officers may solicit proxies personally or by telephone or facsimile transmission. See Information Related to Proxy Contest Participants in the Solicitation. We will not compensate these individuals for their solicitation activities. We will also make arrangements with brokerage houses and other custodians, nominees and fiduciaries for them to forward proxy materials to the beneficial owners of shares held of record. We will reimburse these persons for their reasonable expenses.

As a result of the proxy contest threatened by JANA, we will incur substantial additional costs in connection with our solicitation of proxies. We have retained Innisfree M&A Incorporated (Innisfree) to assist in the solicitation of proxies for a fee of \$100,000 plus out-of-pocket expenses. Innisfree will employ approximately 50 people to solicit proxies from our shareholders. We have agreed to indemnify Innisfree against certain liabilities arising out of or in connection with Innisfree's engagement.

Expenses related to the solicitation of proxies from shareholders, in excess of those normally spent for an annual meeting, are expected to aggregate up to approximately \$550,000, of which approximately ~~none~~ \$250,000 has been spent to date.

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How can I receive more information?

If you have any questions about giving your proxy or about our solicitation, or if you require assistance, please call Innisfree M&A Incorporated, toll free at 888-750-5834.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Our articles of incorporation provide that our board of directors shall consist of at least four and no more than 12 directors, as determined by the board of directors. The current number of directors has been fixed at six. Our directors are divided into three classes, each class as nearly equal in number as possible. The term of office of only one class of directors expires in each year. This year, the terms of the Class III directors expire at the annual meeting. The Class III directors elected at the 2004 annual meeting will hold office for a term of three years or until their successors are elected and qualified.

Our shareholders will elect the two Class III directors at this annual meeting. Unless otherwise specified on the WHITE proxy card, the persons named as proxies will vote in favor of the election of the persons named below as nominees. Each nominee currently serves as a director. The board of directors believes that each nominee will stand for election and will serve if elected as a director, whether or not a JANA nominee is elected. If any person nominated by the board fails to stand for election or is unable to accept election, the persons named as proxies will vote in favor of the election of another person recommended by the board of directors. Proxies cannot be voted for more than two nominees.

The board of directors recommends a vote FOR each of the listed nominees.

Information about Director Nominees, Other Directors and Other Executive Officers

Our director nominees and other directors and their ages and terms of office as of May 1, 2004 are as follows:

Director Nominees

<u>Name</u>	<u>Age</u>	<u>Class</u>	<u>Position with Company</u>	<u>Term Expires</u>
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<u>Name</u>	<u>Age</u>	<u>Class</u>	<u>Position with Company</u>	<u>Term Expires</u>
John W. Collins	56	III	Chairman of the Board and Chief Executive Officer	2004
Arthur G. ("Buddy") Weiss	64	III	Director	2004

Other Directors

<u>Name</u>	<u>Age</u>	<u>Class</u>	<u>Position with Company</u>	<u>Term Expires</u>
James A. Verbrugge	63	II	Director	2006
John D. Schneider, Jr.	50	II	Director	2006
Glenn W. Sturm	50	I	Director	2005
Mark Hawn	44	I	Director	2005

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Our other executive officers and their ages and positions as of May 1, 2004 are as follows:

Other Executive Officers

<u>Name</u>	<u>Age</u>	<u>Position with Company</u>
Jeffery E. Berns	39	Senior Vice President
G. Lynn Boggs	48	President and Chief Operating Officer
Jonathan R. Coe	36	Vice President and General Counsel
Carole M. Collins	37	Treasurer, Vice President of Corporate Governance/Risk
L. Rand ("Randy") Fluitt	58	Executive Vice President
Farrell S. Mashburn	57	Senior Vice President
Denise C. Saylor	35	Senior Vice President
Michael D. Sulpy	43	Executive Vice President

Biographical Information for Director Nominees

John W. Collins, one of our co-founders, has served as our Chief Executive Officer and Chairman of our Board of Directors since our formation. Mr. Collins served as our President from October 2000 through February 2002. Mr. Collins currently serves as a director of Nexity Bank. Mr. Collins served as the Chairman of the Board of Directors of Netzee, Inc., a provider of Internet-based banking products and services, from its inception in 1999 until September 2002. Mr. Collins has over 30 years of experience in multiple areas of electronic commerce for community financial institutions. Mr. Collins is the father of Denise C. Saylor, a Senior Vice President.

Arthur G. (Buddy) Weiss has served as a director since March 2004. Mr. Weiss, a private investor, has over 40 years experience in the fields of financial services and real estate investments. He served as Chairman of the Board of eResource Capital Group (now known as RCG Companies Incorporated), a company with travel and technology services businesses, from January 1999 to June 2001.

Biographical Information for Other Directors

Mark Hawn has served as a director since February 2004. Mr. Hawn has served as the Chief Executive Officer of DocuForce, Inc., which performs facilities management and offers a full suite of on and off site office support services for law firms and financial institutions, since August 2002. Mr. Hawn has also been the Chief Executive Officer of Phoenix Couriers, a local courier service in Atlanta, since 1991.

John D. Schneider, Jr. has served as a director since January 2000. For the past 17 years, Mr. Schneider has served as a director, President and Chief Executive Officer of Bankers Bancorp Inc., a bank holding company headquartered in Springfield, Illinois. He is a director, President and Chief Executive Officer of Independent Bankers Bank, Chairman of Bankers Bank Service Corporation, subsidiaries of Bankers Bancorp Inc., and President and Chief Executive Officer and a director of Bankers Bank Insurance Services, Inc. Mr. Schneider is also a director of Sullivan Bancshares, Inc., First National Bank of Sullivan and Community Bank Mortgage Corp.

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Glenn W. Sturm has served as a director since May 1997. Since 1992, Mr. Sturm has been a partner in the law firm of Nelson Mullins Riley & Scarborough LLP, where he serves as a member of its executive committee. Mr. Sturm served as the Chief Executive Officer of Netzee, Inc., a provider of

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Internet-based banking products and services, from its inception in 1999 until October 2000. Mr. Sturm has been a director of Private Business, Inc., a provider of accounts receivable and inventory management software, since its August 2001 merger with Towne Services, Inc., of which he also served as a director.

James A. Verbrugge has served as a director since February 2004. Dr. Verbrugge is currently the Director for the Center for Strategic Risk Management at the University of Georgia. Dr. Verbrugge is also Emeritus Professor of Finance and held the Chair of Banking in the Terry College of Business of the University of Georgia from January 1992 to December 2002. From 1977 to 2001, he was Chairman of the Department of Banking and Finance in the Terry College. He has been a visiting professor at the University of Virginia, where he held the Virginia Bankers Association Chair of Banking. Dr. Verbrugge is a director of Crown Crafts, Inc. and RCG Companies Incorporated.

Biographical Information for Other Executive Officers

Jeffery E. Berns has served as a Senior Vice President since June 2001 and was Vice President of Sales from September 1999 through May 2001. Mr. Berns is our national sales manager and supervises sales efforts for all of our banking-related products and services. Mr. Berns has worked in sales since joining us in 1997, first with InterCept Switch for approximately 18 months and then with InterCept. From February 1994 to February 1997, Mr. Berns was the Business Development Manager for the Star System, Inc. ATM network.

G. Lynn Boggs has been Chief Operating Officer of InterCept since September 2002 and has served as President of InterCept since February 2002. Before joining InterCept, Mr. Boggs served from February 2000 to August 2001 as the Chief Executive Officer of Towne Services, Inc., headquartered in metropolitan Atlanta, Georgia. Towne Services provided services and products that processed sales and payment information and related financing transactions for small businesses and banks. In March 1999, Mr. Boggs became a Senior Vice President of Investments for The Bankers Bank, also headquartered in Atlanta, Georgia. From June 1996 until March 1999, he served as the Senior Vice President and branch manager of Vining-Sparks Investment Banking Group, L.P., a fixed income broker-dealer to financial institutions in Nashville, Tennessee. From October 1994 to June 1996, he was Senior Vice President-Investments at PaineWebber, Inc. in Nashville.

Jonathan R. Coe has been Vice President and General Counsel since May 2001. Before joining InterCept, Mr. Coe was vice-president with GWB (USA), Inc., a private equity company, from April 2000 to April 2001. From May 1996 to April 2000, Mr. Coe was an attorney with Nelson Mullins Riley & Scarborough LLP

Carole M. Collins has served as our Treasurer since September 2003 and as our Vice President of Corporate Governance/Risk since December 2003. She has served on an interim basis as our principal accounting officer since April 1, 2004. Ms. Collins has been our Director of Investor Relations since July 2000. (Ms. Collins is not related to John W. Collins, our Chief Executive Officer.)

L. Rand (Randy) Fluitt has served as our Executive Vice President since February 2001. Mr. Fluitt manages our processing and imaging operations and oversees our regulatory reporting and compliance matters. Prior to joining us, Mr. Fluitt was Executive Vice President of SLMsoft.com Inc. from December 1998 to January 2001. Before joining SLM, he served as President and Chief Operating Officer of BancLine, a provider of core processing software for community banks, from January 1998 to November 1998, when it was acquired by SLM. Mr. Fluitt served as Vice President of the financial services division for Electronic Data Services Corp. from July 1987 to January 1998. Mr. Fluitt has over 37 years experience working with community financial institutions and financial technology providers.

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Farrell S. Mashburn has served as a Senior Vice President since January 1996 and as our Secretary from June 1996 to January 1998. Mr. Mashburn also served as a director from May 1996 to January 1998. Mr. Mashburn has over 37 years of experience in providing banking related equipment, maintenance and technical support services, primarily to community financial institutions.

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Denise C. Saylor has served as a Senior Vice President since February 2001. She serves as our chief administration officer and is responsible for our EFT division. Prior to becoming Senior Vice President, she served as Vice President responsible for several corporate functions including marketing, facilities management, administration and customer service. Ms. Saylor received her B.A. degree from Georgia State University before joining InterCept in 1992. Ms. Saylor is the daughter of John W. Collins, our Chief Executive Officer and Chairman of our Board of Directors.

Michael D. Sulpy has served as our Executive Vice President of Network Communications since January 1998. Mr. Sulpy co-founded InterCept Communications Technologies, L.L.C. in March 1996 and served as its Vice President of Communications until its merger with us in January 1998. He joined InterCept Communications Technologies in 1987, and from January 1993 to January 1996 served as its network manager, responsible for data network design and maintenance and personnel training. Mr. Sulpy has over 18 years of data communications management and telecommunications network experience.

CORPORATE GOVERNANCE

Our business, properties and affairs are managed under the direction of our board of directors. Although directors are not involved in the day-to-day operating details, we strive to keep them informed about our business through written reports and documents we provide to them regularly, as well as through operating, financial and other reports presented by Mr. Collins and other officers at meetings of the board of directors and of committees of the board of directors. The board has determined that each of Mark Hawn, John D. Schneider, Jr., James A. Verbrugge, and Arthur G. Weiss is independent under the definition contained in Rule 4200(a)(15) of the National Association of Securities Dealers Marketplace Rules.

Meetings of the Board

The board of directors held 15 meetings in 2003. Each director attended at least 75% of the board and committee meetings to which he was assigned.

Committees of the Board of Directors

The board of directors has established an Audit Committee, a Nominating and Governance Committee and a Compensation and Stock Option Committee. Our bylaws permit shareholders to make nominations for directors, but only if those nominations are made timely and by notice in writing to our corporate Secretary and in compliance with our bylaws.

Audit Committee. The Audit Committee of our board of directors is composed of John D. Schneider, Jr. (chair), James A. Verbrugge and Arthur G. Weiss. The board has determined that each member of the Audit Committee is an audit committee financial expert and is independent under the SEC's Rule 10A-3. Our Audit Committee's functions are described in the Report of the Audit Committee below.

Nominating and Governance Committee. This committee is responsible for the oversight of the composition of the board and its committees, identification and recommendation of individuals to become board members, and maintenance of a statement of corporate governance guidelines. Our Nominating and Corporate Governance Committee is composed of James A. Verbrugge (chair), Mark Hawn and John D. Schneider, Jr. The board has determined that each member of the Nominating and Governance Committee is independent under the definition contained in Rule 4200(a)(15) of the National Association of Securities Dealers Marketplace Rules. For more information regarding director nominations, see Director Nominations below.

Compensation and Stock Option Committee. This committee oversees our management of some of our human resources activities, including determining compensation for executive officers, granting stock options and the administering of our stock option and other employee benefit plans. John D. Schneider, Jr. (chair), Arthur G. Weiss and Mark Hawn currently serve on this committee. For more information regarding our compensation policies, see Report of the Compensation and Stock Option Committee on Executive Compensation below.

Report of the Audit Committee

The Audit Committee is appointed by the board of directors and met ten times in 2003. Our Audit Committee operates under a written charter adopted by the board, which revised the charter on April 4, 2004 to comply with new SEC requirements and Nasdaq National Market listing standards. Our

updated Audit Committee Charter is attached to this proxy statement as *Annex A*. The charter can also be viewed on our website at www.intercept.net under Investor Relations Investor Information Corporate Governance.

During 2003 and until February 2004, our Audit Committee was composed of Jon R. Burke, Boone A. Knox and John D. Schneider, Jr. Since March 2004, the committee has been composed of Mr. Schneider, Dr. James A. Verbrugge and Mr. Arthur G. Weiss. Our Audit Committee is responsible for providing oversight of the independent audit process and the independent auditors, reviewing our financial statements and financial statements of our subsidiaries and discussing them with management and the independent auditors, reviewing and discussing with management and the independent auditors the adequacy and effectiveness of our internal accounting and disclosure controls and procedures, and providing legal and regulatory compliance and ethics programs oversight. The Audit Committee communicates regularly with our management, including our Chief Financial Officer and accounting personnel, and with our auditors. The Audit Committee is also responsible for conducting an appropriate review of and pre-approving all related party transactions in accordance with Nasdaq listing standards, and evaluating the effectiveness of the Audit Committee charter at least annually.

The Audit Committee has reviewed and discussed our audited financial statements with management. The Audit Committee has discussed with our independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended by Statement on Auditing Standards No. 90 (communications with audit committees). The Audit Committee has also received from our independent auditors the written disclosures and the letter required by Independent Standards Board Standard No. 1 and has discussed with the independent auditors the independent auditors independence from our company and its management. The Audit Committee reported its findings to our board of directors.

In performing all of these functions, the Audit Committee acts only in an oversight capacity. The Audit Committee reviews our quarterly and annual reporting on Form 10-Q and Form 10-K prior to filing with the SEC. In its oversight role, the Audit Committee relies on the work and assurances of our management, which has the primary responsibility for financial statements and reports, and of the independent auditors, who, in their report, express an opinion on the conformity of our annual financial statements to generally accepted accounting principles.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to our board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003 for filing with the SEC.

Submitted by: John D. Schneider, Jr.
James A. Verbrugge
Arthur G. Weiss

Nominations of Directors

Given the new corporate governance requirements of the Nasdaq Stock Market, on April 4, 2004 our Board adopted a Nominations and Governance Committee Charter and Corporate Governance Guidelines, which are attached as *Annex B* and *Annex C*, respectively, to this proxy statement. These documents can also be viewed on our website at www.intercept.net under Investor Relations Investor Information Corporate Governance.

The Nominating and Corporate Governance Committee was formed in April 2004 and its responsibilities include evaluating and recommending to the full board of directors the director nominees

to stand for election at our annual meetings of shareholders. The Committee is authorized to retain search firms and to compensate them for their services.

The Nominating and Corporate Governance Committee will examine each director nominee on a case-by-case basis regardless of who recommends the nominee. In considering whether to recommend any particular candidate for inclusion in the board's slate of recommended director nominees, the Committee considers the criteria specified in our Corporate Governance Guidelines. These criteria include the candidate's

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availability, insight, practical wisdom, professional and personal ethics and values consistent with longstanding company values and standards, experience at the policy-making level in business, government, education, technology or other areas of endeavor specified by the board, commitment to enhancing shareholder value, and ability and desire to represent the interests of all shareholders. The Committee does not assign specific weights to particular criteria, and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the board of directors to fulfill its responsibilities.

In addition to the qualification criteria above, the Nominating and Corporate Governance Committee also takes into account whether a potential director nominee qualifies as an audit committee financial expert as that term is defined by the SEC, and whether the potential director nominee would qualify as an independent director under the listing standards of The Nasdaq Stock Market.

The Nominating and Corporate Governance Committee evaluated our board's two nominees, Mr. Collins and Mr. Weiss, in light of the above criteria and recommended to the board that they be nominated for reelection as Class III directors at the 2004 annual meeting. Our board approved that recommendation. Limited information provided by JANA regarding JANA's nominees was available to the Nominating and Corporate Governance Committee. Given the board's concern that those nominees might pursue only JANA's goal of forcing a sale of the company rather than what is in the best interests of all of our shareholders, the Nominating and Corporate Governance Committee did not request any additional information regarding the JANA nominees and elected not to recommend them for election to the board of directors. If elected to the board, the JANA nominees would be subject to the same fiduciary duties to all InterCept shareholders as the members of the existing board, and therefore would be legally obligated to act in the best interests of all shareholders. With that in mind and with the goal of avoiding the cost and disruption associated with the proxy contest and the pending federal court litigation, and notwithstanding the board's continuing concerns regarding those nominees, we offered a settlement to JANA that included our supporting the nomination and election of the two JANA nominees to an expanded eight or nine person board. Our proposal would have provided JANA, as a large holder of InterCept shares, with representation on our board. Given the expanded size of the board, however, our concerns regarding the narrow focus of the JANA representatives would be materially alleviated. JANA, however, rejected our settlement proposal. See Information Relating to Proxy Contest Recent Settlement Offer Rejected by JANA below.

The Nominating and Corporate Governance Committee will consider persons recommended by shareholders to become nominees for election as directors, provided that those recommendations are submitted in writing to our Corporate Secretary specifying the nominee's name and qualifications for board membership. For a shareholder to nominate a director candidate as provided under our bylaws, the shareholder must comply with the advance notice provisions and other requirements of Section 3.8 of our bylaws.

Shareholders who intend to recommend a director candidate to the Nominating and Corporate Governance Committee for consideration are urged to thoroughly review our Corporate Governance Guidelines and Nominating and Governance Committee Charter.

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In connection with our sale of Series A preferred stock to Sprout Capital IX, L.P. and its affiliates in September 2003, we agreed with Sprout that our board of directors would appoint Mr. Robert Finzi, Co-Managing Partner of Sprout, to serve on the board as a Class III director. Additionally, we agreed that our proxy materials for the next annual meeting of shareholders would include Mr. Finzi as one of management's nominees for election as a Class III director and to recommend that our shareholders vote in favor of his election. To date, Sprout has not elected to have Mr. Finzi appointed or nominated to our board, although he attends board meetings as an observer. See Recent Agreement in Principle to Modify Preferred Stock Held by Sprout below for more information about Sprout and our recent agreement in principle with Sprout to modify the terms of our preferred stock.

Communications with Board of Directors

The board of directors has established a process for shareholders to send communications to the board of directors. Shareholders may communicate with the board as a group or individually by writing to: The Board of Directors of InterCept, Inc. c/o Internal Auditor, InterCept, Inc., 3150 Holcomb Bridge Road, Norcross, GA 30071. The Internal Auditor may require reasonable evidence that a communication or other submission is made by an InterCept shareholder before transmitting the communication to the board or board member. On a periodic basis, the Internal Auditor will compile and forward all shareholder communications submitted to the board or the individual directors.

Director Compensation

We pay each director \$1,000 for in-person attendance at any meeting for their services as our directors, \$250 for attendance via telephone for meetings lasting 30 minutes or less and \$500 for attendance via telephone for meetings lasting over 30 minutes. Upon initial election to the board of directors, each non-employee director who beneficially owns less than 4% of our outstanding common stock on the date of his election to the board of directors receives options to acquire 35,000 shares of common stock, 11,667 of which vest immediately and the remainder of which vest ratably on the first and second anniversaries of such initial election. In addition, on each anniversary date of a director's initial election to the board of directors, each director receives a grant of options to acquire 10,000 shares of common stock that vest on the date of grant. On the fifth anniversary, each director receives a grant of options to acquire 35,000 shares of common stock, 11,667 of which vest immediately and the remainder of which vest ratably on the first and second anniversaries of such grant. The exercise price of these options is equal to the fair market value of the common stock on the date of grant. Each director option expires ten years after the date of grant, unless canceled sooner as a result of termination of service or death, or unless the option is fully exercised before the end of the option period. Directors may be reimbursed for out-of-pocket expenses incurred in attending meetings of the board of directors or its committees and for other expenses incurred in their capacity as directors.

Indemnification

We indemnify our directors and officers to the fullest extent permitted by law so that they will serve free from undue concern that they will be held personally liable for our liabilities. This is required under our bylaws, and we have also signed agreements with each of our directors and officers contractually providing this indemnification to them.

Certain Relationships and Related Transactions

Glenn W. Sturm, one of our directors, is a partner in the law firm of Nelson Mullins Riley & Scarborough LLP. We retained Nelson Mullins to provide various legal services to InterCept during

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2003 and have retained Nelson Mullins to provide various legal services to us in 2004. The amount paid to Nelson Mullins for services rendered to us in 2003 did not exceed 5% of Nelson Mullins' gross revenues in 2003. Because Mr. Sturm is a participant in the proxy contest and is a partner in Nelson Mullins, the firm may be deemed to be an associate of a participant. The address of Nelson Mullins is 999 Peachtree Street, Suite 1400, Atlanta, Georgia 30309.

Denise C. Saylor, a Senior Vice President, is the daughter of John W. Collins, our Chief Executive Officer and Chairman of our Board of Directors. For 2003, Ms. Saylor received a salary of \$175,000. Ms. Saylor's husband, David W. Saylor, is a Commissioned Sales Representative with InterCept and received aggregate salary and commissions of \$238,776 in 2003.

We paid \$49,000 to W-II Investments, Inc. as reimbursement for use of a W-II Investments aircraft for business travel during fiscal 2003. Payment was based on the average incremental cost of operating that type of aircraft. Each of Mr. John W. Collins, our Chief Executive Officer and Chairman of our Board of Directors, and Glenn W. Sturm, a director, owns 50% of W-II Investments, Inc.

Company Policies

All transactions between InterCept and our shareholders, affiliates, officers and directors, if any, are subject to the approval of a majority of the independent and disinterested outside directors and are conducted on terms no less favorable than could be obtained from unaffiliated third parties on an arm's length basis.

On March 8, 2004, our board of directors adopted a Code of Business Conduct and Ethics as required by the federal Sarbanes-Oxley Act and the rules of the Nasdaq National Market. We have posted

a copy of the code on our corporate website, www.intercept.net under Investor Relations - Investor Information - Corporate Governance.

Directors are encouraged to attend our annual meetings of shareholders. One of five directors attended our 2003 annual meeting

Director Resignations

In February 2004, we publicly announced that, effective February 13, 2004, Boone A. Knox and Jon R. Burke resigned from our board of directors. See Information Relating to Proxy Contest Background Regarding Recent Consideration of Strategic Transactions.

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EXECUTIVE COMPENSATION

The following table summarizes the compensation we paid or accrued for services rendered by our Chief Executive Officer and the four most highly compensated other executive officers whose total salary and bonus exceeded \$100,000 during the year ended December 31, 2003. In this proxy statement, we sometimes collectively refer to these persons as the named executive officers. We did not grant any stock appreciation rights or make any long-term incentive plan payouts during the periods shown. During 2003, none of our executive officers received perquisites that exceed the lesser of \$50,000 or 10% of the salary and bonus of that executive.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)	Securities Underlying Options/SARs(#)
John W. Collins	2003	500,000	--		45,000
Chief Executive Officer	2002	467,540	--		210,000
	2001	375,000	200,000(1)		260,000
G. Lynn Boggs	2003	460,000	--	--	--
President & Chief Operating Officer	2002	350,000	150,000(2)	96,000(3)	300,000
	2001	--	--	--	--
Scott R. Meyerhoff (4)	2003	325,000	--		--
Senior Vice President, Chief Financial Officer and Secretary	2002	302,320	60,000(2)		94,000
	2001	196,250	100,000(1)		25,000
John M. Perry (5)	2003	400,000	--	--	--
President - InterCept Payment Solutions	2002	--	--	--	150,000
	2001	--	--	--	--
Randy Fluitt	2003	260,000	--	--	--
Executive Vice President	2002	222,917	60,000(2)	--	50,000
	2001	--	--	--	--

- (1) This amount is being paid ratably over a period of five years, provided that the employee remains an employee. (Mr. Meyerhoff received \$60,000 of this bonus.)
- (2) This amount is being paid ratably over a period of three years, provided that the employee remains an employee. (Mr. Meyerhoff received \$40,000 of this bonus.)
- (3) This amount represents a relocation allowance.
- (4) Effective March 31, 2004, Mr. Meyerhoff is no longer an officer of InterCept and is a part-time employee.
- (5) Effective March 24, 2004, Mr. Perry is no longer an officer or employee of InterCept, and his options terminated on April 23, 2004.

Option Grants

The following table provides information concerning each grant of stock options to the named executive officers during the year ended December 31, 2003. The options granted to Mr. Collins were granted to him as a director under the policy described in Director Compensation above.

Option Grants in Last Fiscal Year

<u>Name</u>	<u>Number of Securities Underlying Options Granted (#)</u>	<u>Percent of Total Options Granted to Employees in Fiscal Year</u>	<u>Exercise or Base Price(\$/Sh)</u>	<u>Expiration Date</u>	<u>Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(1)</u>	
					<u>5%(\$)</u>	<u>10%(\$)</u>
John W. Collins	35,000(2)	22.8	4.40	3/17/13	96,849	245,436
	10,000(3)	6.5	5.95	1/30/13	37,419	94,828
G. Lynn Boggs	--	--				
Scott R. Meyerhoff	--	--				
John M. Perry	--	--				
Randy Fluitt	--	--				

- (1) The 5% and 10% assumed annual rates of compounded stock price appreciation are mandated by rules of the Securities and Exchange Commission. There can be no assurance that the actual stock price appreciation over the term will be at the assumed 5% and 10% levels or at any other defined level. Unless the market price of the common stock appreciates above the exercise price over the option term, no value will be realized from the option grants made to the named executive officers.
- (2) These options were granted on March 18, 2003. One third of the options vested on the date of grant, another third vested on the first anniversary of the date of grant, and the remaining one third will vest on the second anniversary of the date of grant, provided that the director is a director on that date or has left the position of director within 180 days before that date.
- (3) These options were granted on January 31, 2003, and all were vested on the date of grant.

The following table provides information regarding the exercisability of options and the number of options held by the named executive officers who have been granted stock options, as of December 31, 2003:

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

<u>Name</u>	<u>Shares Acquired on Exercise (#)</u>	<u>Value Realized (\$)</u>	<u>Number of Securities Underlying Unexercised Options at Fiscal Year End (#)</u>		<u>Value of Unexercised In-the-Money Options at Fiscal Year End (\$)</u>	
			<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
John W. Collins	--	--	1,062,703	90,000	763,701	160,064
G. Lynn Boggs	--	--	200,000	100,000	--	--
Scott R. Meyerhoff (1)	--	--	264,522	39,667	294,005	--
John M. Perry (2)	--	--	100,000	50,000	--	--
Randy Fluitt	--	--	100,000	50,000	--	--

- (1) Effective March 31, 2004, Mr. Meyerhoff is no longer an officer of InterCept and is currently a part-time employee.

- (2) Effective March 24, 2004, Mr. Perry is no longer an officer or employee of InterCept, and his options terminated on April 23, 2004.

EMPLOYMENT AGREEMENTS

Collins Agreement. We entered into an employment agreement with John W. Collins effective as of January 30, 1998 (the Collins agreement) under which he serves as our Chief Executive Officer. The Collins agreement provides that Mr. Collins will receive a base salary of not less than \$265,000 per year. Mr. Collins' base salary may be increased upon a periodic review by the board of directors or a board committee. In addition, Mr. Collins is entitled to incentive compensation as determined by the board of directors or a board committee based upon achievement of targeted levels of performance and such other criteria as the board of directors or a committee establishes from time to time, and an additional annual bonus as determined by the board of directors or a board committee. Mr. Collins may participate in our stock option plans and can receive health insurance for himself and his dependents, long-term disability insurance, civic and social club dues, use of an automobile owned or leased by us and other benefits.

The Collins agreement has a term of three years and renews daily until either party fixes the remaining term at three years by giving written notice. We can terminate the Collins agreement upon his death or disability or for cause, and Mr. Collins can terminate his employment for any reason within a 90-day period beginning on the 30th day after any occurrence of a change in control or within a 90-day period beginning on the one-year anniversary of the occurrence of any change in control. Under the Collins agreement, a change in control means the occurrence during the term of the Collins agreement of

(a) an acquisition by any person, subject to certain exceptions, of 20% or more of the combined voting power of our voting securities,

(b) a change in the composition of our board such that the members of our board of directors as of the date of our initial public offering (the Incumbent Board) cease to constitute at least two-thirds of our board; provided, however, that any new director that is approved by a vote of at least two-thirds of the Incumbent Board shall be considered a member of the Incumbent Board; provided further, that no director appointed in connection with a threatened or actual proxy contest by someone other than our board shall be considered to be a member of the Incumbent Board; or

(c) approval by our shareholders of a merger, consolidation or reorganization (subject to a limited exception) or the complete liquidation or dissolution of the company or a sale of all or substantially all of our assets.

If one or both of JANA's nominees are elected to our board at the 2004 meeting, a change of control will not be deemed to have occurred under Mr. Collins' employment agreement. If (a) both of JANA's nominees are elected at the 2004 annual meeting and (b) JANA nominates and succeeds in electing two nominees at our 2005 annual meeting (without the approval of at least three of the four directors not affiliated with JANA), however, a change in control will have occurred, assuming the number of directors remains at six.

If Mr. Collins' employment is terminated after a change in control (a) by us without cause or otherwise in breach of the Collins agreement or (b) by Mr. Collins for any reason, we must pay him all accrued compensation and bonus amounts and one-twelfth of his annual base salary and bonus for each of 36 consecutive 30-days periods following the termination. In addition, we must continue life and health insurance for Mr. Collins until he reaches age 65, and his outstanding options to purchase common stock would vest and become immediately exercisable.

If Mr. Collins ceases to be our Chief Executive Officer for any reason other than by voluntary resignation, we must offer to repurchase all of the common stock he owns at a purchase price equal to the fair market value (as defined in the Collins agreement). Also, in the Collins agreement we granted, with respect to our shares of common stock, piggyback and, after any termination of employment, demand registration rights to Mr. Collins. Mr. Collins has further agreed to maintain the confidentiality of our trade secrets for a period of one year, if terminated for cause, and not to solicit our employees or customers.

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Boggs Agreement. We entered into an employment agreement with G. Lynn Boggs effective as of February 19, 2002 (the Boggs agreement) under which he serves as our President. The Boggs agreement provides that Mr. Boggs will receive a base salary of not less than \$400,000 per year. The board or the Compensation Committee will review his salary at least annually. In addition, Mr. Boggs is entitled to incentive compensation as determined by the board of directors or a board committee based upon achievement of targeted levels of performance and such other criteria as the board of directors or a committee establishes from time to time. In addition, our CEO, board or the Compensation Committee will annually consider Mr. Boggs' performance and determine if any additional bonus is appropriate. Mr. Boggs may participate in our stock option plans and may receive health insurance for himself and his dependents, long-term disability insurance, use of an automobile owned or leased by us and other benefits.

The Boggs agreement has a term of two years and renews each day for an additional day until either party fixes the remaining term at two years, without further automatic extension, by giving written notice. We can terminate the Boggs agreement upon his death or disability or for cause, and Mr. Boggs can terminate his employment for any reason within a 90-day period beginning on the 30th day after any occurrence of a change in control or within a 90-day period beginning on the one-year anniversary of the occurrence of any change in control. Under the Boggs agreement, a change in control means the occurrence during the term of the Boggs agreement of

- (a) an acquisition by any person, subject to certain exceptions, of 34% or more of the combined voting power of our voting securities,
- (b) a change in the composition of our board such that the members of our board of directors as of the date of our initial public offering (the Incumbent Board) cease to constitute at least a majority of our board; provided, however, that any new director that is approved by a vote of at least a majority of the Incumbent Board shall be considered a member of the Incumbent Board; provided further, that no director appointed in connection with a threatened or actual proxy contest by someone other than our board shall be considered to be a member of the Incumbent Board, or
- (c) approval by our shareholders of a merger, consolidation or reorganization (subject to a limited exception) or the complete liquidation or dissolution of the company or a sale of all or substantially all of our assets.

If one or both of JANA's nominees are elected to our board at the 2004 meeting, a change of control will not be deemed to have occurred under Mr. Boggs' employment agreement. If (a) both of JANA's nominees are elected at the 2004 annual meeting and (b) JANA nominates and succeeds in electing two nominees at our 2005 annual meeting (without the approval of at least three or four directors not affiliated with JANA), however, a change in control will have occurred, assuming the number of directors remains at six.

If Mr. Boggs' employment is terminated after a change in control (a) by us without cause or otherwise in breach of the Boggs agreement or (b) by Mr. Boggs for any reason, we must pay him all

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accrued compensation and bonus amounts and one-twelfth of his annual base salary and bonus for each of the 24 consecutive 30-day periods following the termination. In addition, we must continue the life insurance, disability, medical, dental and other benefits provided to Mr. Boggs and his dependents for the two-year period following termination. Further, his outstanding options to purchase common stock would vest and become immediately exercisable notwithstanding that he has left our employment.

Pursuant to the Boggs agreement, the board approved the G. Lynn Boggs Stock Option Plan on April 16, 2002, and granted Mr. Boggs options to purchase 150,000 shares of our common stock at an exercise price of \$34.22 per share. Of these options, 50,000 vested on the date of grant, 50,000 vested on the first anniversary of the date of grant, and 50,000 vested on the second anniversary of the date of grant.

Fluitt Agreement. On March 1, 2004, we entered into an employment agreement with Mr. Randy Fluitt (the Fluitt agreement) under which he serves as an Executive Vice President. The Fluitt agreement provides that Mr. Fluitt will receive a base salary of not less than \$280,000 per year. Mr. Fluitt's base salary may be increased upon a periodic review by the Chief Executive Officer or the President, which increase may require the approval of the Compensation Committee. The Fluitt agreement has a term of two years that renews automatically at the end of each term unless earlier terminated by us or Mr. Fluitt, or because of Mr. Fluitt's death. We can terminate the Fluitt agreement upon his disability or for cause. If we terminate Mr. Fluitt's employment without adequate justification, we must pay him all accrued compensation and bonus amounts, and we must pay him one twelfth of his annual base salary and bonus for the greater of the number of months remaining under the term of his agreement or 12 months. In addition, his outstanding options to purchase common stock would vest and become immediately exercisable.

Meyerhoff Agreement. On February 1, 1998, we entered into an employment agreement with Scott R. Meyerhoff (the Meyerhoff agreement) under which he served as our Chief Financial Officer until the Meyerhoff agreement was amended effective April 1, 2004 as

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described below. The Meyerhoff agreement initially provided that Mr. Meyerhoff would receive a base salary of not less than \$130,000 per year. Mr. Meyerhoff's base salary could be increased upon a periodic review by the board of directors or a board committee. The Meyerhoff agreement had a term of one year that renewed automatically at the end of each term unless earlier terminated by us or Mr. Meyerhoff.

In April and May, 2004, we amended the Meyerhoff agreement (the amended Meyerhoff agreement) whereby he resigned as of March 31, 2004 as our Senior Vice-President, Chief Financial Officer and Secretary. The amended Meyerhoff agreement provides that Mr. Meyerhoff is employed on a part-time basis to assist us with certain financial matters and the transition to a new chief financial officer. Pursuant to the amended Meyerhoff agreement, Mr. Meyerhoff will receive his current base salary, and his outstanding options to purchase common stock will continue to vest in accordance with the instruments governing those options. The amended Meyerhoff agreement has a term ending on December 31, 2004 unless earlier terminated because of the death or disability of Mr. Meyerhoff, or at his or our election. If we terminate Mr. Meyerhoff's employment without cause before December 31, 2004, we must pay him a lump sum cash payment equal to the remaining compensation to which he would have been entitled had we employed him until December 31, 2004, and his outstanding options to purchase common stock would vest and become immediately exercisable. If the Meyerhoff Agreement is terminated before December 31, 2004 upon his death or disability, by us with Cause, or by Mr. Meyerhoff, (a) all vesting of stock options granted to him shall cease on the termination date, and all options will terminate immediately, and (b) we will pay him all amounts earned or accrued through the termination date.

Perry Agreement. We entered into an employment agreement with John M. Perry effective as of December 20, 2002 (the Perry agreement) under which he served as the Chief Executive Officer of

Intercept Payment Solutions until March 24, 2004, when the Perry agreement was terminated as described below. The Perry agreement provided that Mr. Perry would receive a base salary of not less than \$400,000 per year. The board or the Compensation Committee would review his salary at least annually. In addition, Mr. Perry was entitled to incentive compensation with a target of 50% of base salary upon achievement of targeted levels of performance and such other criteria as the board of directors or a committee established from time to time. During the initial term of the Perry agreement, Mr. Perry was to receive a minimum bonus compensation of \$100,000, which we agreed to pay to Mr. Perry in equal quarterly installments beginning April 1, 2003. Under the Perry agreement, Mr. Perry was eligible to participate in our stock option plans and receive health insurance for himself and his dependents, long-term disability insurance and other benefits.

The Perry agreement had a term of two years and provided that it would automatically renew for two consecutive two-year terms unless earlier terminated by written notice not less than 90 days prior to the end of the term. We could terminate the Perry agreement upon his death or disability or for or without cause. Mr. Perry could terminate his employment for or without adequate justification with 60 days notice and for any reason within a 90-day period beginning on the 30th day after any occurrence of a change in control. If Mr. Perry's employment was terminated after a change in control (a) by us without cause or otherwise in breach of the Perry agreement or (b) by Mr. Perry for any reason, we were required to pay him all accrued compensation and bonus amounts and one-twelfth of his annual base salary and

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Intercept Payment Solutions until March 24, 2004, when the Perry agreement was terminated as described below. The Perry agreement provided that Mr. Perry would receive a base salary of not less than \$400,000 per year. The board or the Compensation Committee would review his salary at least annually. In addition, Mr. Perry was entitled to incentive compensation with a target of 50% of base salary upon achievement of targeted levels of performance and such other criteria as the board of directors or a committee established from time to time. During the initial term of the Perry agreement, Mr. Perry was to receive a minimum bonus compensation of \$100,000, which we agreed to pay to Mr. Perry in equal quarterly installments beginning April 1, 2003. Under the Perry agreement, Mr. Perry was eligible to participate in our stock option plans and receive health insurance for himself and his dependents, long-term disability insurance and other benefits.

The Perry agreement had a term of two years and provided that it would automatically renew for two consecutive two-year terms unless earlier terminated by written notice not less than 90 days prior to the end of the term. We could terminate the Perry agreement upon his death or disability or for or without cause. Mr. Perry could terminate his employment for or without adequate justification with 60 days notice and for any reason within a 90-day period beginning on the 30th day after any occurrence of a change in control. If Mr. Perry's employment was terminated after a change in control (a) by us without cause or otherwise in breach of the Perry agreement or (b) by Mr. Perry for any reason, we were required to pay him all accrued compensation and bonus amounts and one-twelfth of his annual base salary and bonus for up to 24 consecutive 30-day periods following the termination. In addition, his outstanding options to purchase common stock were to vest and become immediately exercisable notwithstanding that he had left our employment.

Pursuant to the Perry agreement, the board granted Mr. Perry options to purchase 150,000 shares of our common stock at an exercise price of \$16.56 per share. Of these options, 50,000 vested on the date of grant, 50,000 vested on the first anniversary of the date of grant, and 50,000 would have vested on the second anniversary of the date of grant if Mr. Perry had remained an employee.

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On March 24, 2004, we entered into a mutual release with Mr. Perry. Under the Perry release, we paid Mr. Perry \$500,000 consisting of a bonus of \$400,000 related to the sale of our merchant services division and a pro-rata annual bonus of \$100,000. Pursuant to the Perry release, we fully released Mr. Perry, and Mr. Perry fully released us, from any and all legal or administrative proceedings with respect to any matter whatsoever relating to the Perry agreement and Mr. Perry's performance of services thereunder, occurring or taking place on or before March 24, 2004. Notwithstanding the Perry release, the provisions of the Perry agreement relating to protection of trade secrets and confidential information and non-solicitation and related matters remain in effect. Also under the Perry release, we agreed to indemnify Mr. Perry against any third-party claims brought against us, where Mr. Perry is named as a party to the claim. Mr. Perry's options expired on April 23, 2004.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2003 and until February 2004, our Compensation and Stock Option Committee was composed of Jon R. Burke, Boone A. Knox and John D. Schneider, Jr. The current members of our Compensation and Stock Option Committee are Mr. Schneider, Arthur G. Weiss and Mark Hawn. During 2003:

- o none of our other executive officers was a director of another entity where one of that entity's executive officers served on InterCept's Compensation and Stock Option Committee,

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- o no member of the Compensation and Stock Option Committee was an officer or employee of InterCept or any of its subsidiaries,
 - o no member of the Compensation and Stock Option Committee entered into any transaction with InterCept in which the amount involved exceeded \$60,000,
 - o none of our executive officers served on the compensation committee of any entity where one of that entity's executive officers served on InterCept's Compensation and Stock Option Committee, and
 - o none of our executive officers served on the compensation committee of another entity where one of that entity's executive officers served as a director on InterCept's board.

During 2003, our Compensation and Stock Option Committee did not meet. John W. Collins, our Chairman and Chief Executive Officer, and Lynn Boggs, our President and Chief Operating Officer, participated in informal discussions with our board regarding executive officer compensation.

REPORT OF THE COMPENSATION AND STOCK OPTION COMMITTEE ON EXECUTIVE COMPENSATION

Notwithstanding anything to the contrary set forth in any of our previous or future SEC filings that might incorporate this proxy statement or future filings with the Securities and Exchange Commission, in whole or in part, the following report and the Stock Performance Graph which follows shall not be deemed to be incorporated by reference into any such filing.

During 2003 and until February 2004, our Compensation and Stock Option Committee was composed of Jon R. Burke, Boone A. Knox and John D. Schneider, Jr. The Committee did not meet in 2003, nor did it meet in 2004 before the resignations of Mr. Burke and Mr. Knox effective February 13, 2004.

We did not award a bonus to any executive officer for 2003 performance. John W. Collins, our Chief Executive Officer, continued to receive in 2003 the same base salary of \$500,000 per annum that was in effect at the end of 2002. Lynn Boggs, our President and Chief Operating Officer, received in 2003 a \$60,000 increase in his base salary per year, to \$460,000. Scott R. Meyerhoff, who served as our Chief Financial Officer until March 31, 2004, received in 2003 a \$25,000 increase in his base salary per year, to \$325,000. Randy Fluitt, our Executive Vice President, received in 2003 a \$35,000 increase in his base salary per year, to \$260,000. Our board has approved these salary increases as well as those given to six other executive officers in 2003.

We granted no options to executive officers in 2003, although Mr. Collins received options related to his service as a director on the same basis as other directors.

REPORT OF THE COMPENSATION AND STOCK OPTION COMMITTEE ON EXECUTIVE COMPENSATION

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The current members of our Compensation and Stock Option Committee are John D. Schneider, Jr., Arthur G. Weiss and Mark Hawn. Given the new corporate governance requirements of the Nasdaq Stock Market, our Board adopted a Compensation and Stock Option Committee Charter on April 4, 2004. Our charter is attached to this proxy statement as *Annex D*. The charter can also be viewed on our website at www.intercept.net under Investor Relations Investor Information Corporate Governance.

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Under our charter, the Committee reviews and determines our executive compensation objectives and policies. The Committee also reviews and sets the compensation of our Chief Executive Officer and our other executive officers.

The objectives of our executive compensation program are: (a) to attract, retain and motivate highly talented and productive executives; (b) to provide incentives for superior performance by paying above-average compensation; and (c) to align the interests of the executive officers with the interests of our shareholders by basing a significant portion of their compensation upon our performance. Our executive compensation program combines the following three components, in addition to the benefit plans offered to all employees: base salary (including cash provided for automobile allowances); bonus; and long-term incentive compensation consisting of stock option grants. Each component of our executive compensation program is intended to serve a specific purpose in meeting our objectives.

Our policy is to set base salary levels, bonuses and long-term incentive compensation above an industry average. We select comparison corporations on the basis of a number of factors, such as their size and complexity, the nature of their businesses, the regions in which they operate, the structure of their compensation programs (including the extent to which they rely on bonuses and other contingent compensation) and the availability of compensating information. These other corporations are not necessarily those included in the indices used to compare the shareholder return in the Stock Performance Graph. Further, the corporations selected for comparison may vary from year to year based upon market conditions and changes in both the selected corporations' businesses and our business over time. We believe that above-average compensation levels are necessary to attract and retain high caliber executives necessary for the successful conduct of our business.

Base salary. The Committee reviews the salaries of our executives annually. When setting base salary levels, in a manner consistent with the objectives outlined above, the Committee considers competitive market conditions for executive compensation, the individual executive's performance and our performance.

The measures of individual performance considered in setting salaries included, to the extent applicable to an individual executive officer, a number of factors such as our historical and recent financial performance in the principal area of responsibility of the officer (including measures such as gross margin, net income, sales, customer count and market share), the individual's progress toward non-financial goals within his area of responsibility, individual performance, experience and level of responsibility and other contributions made to our success. The Committee does not intend to assign relative weights to the specific factors used in determining base salary levels, and the specific factors used may vary among individual officers. As is typical for most corporations, payment of base salary is not conditioned upon the achievement of any specific, pre-determined performance targets.

Bonus. Our cash bonus program seeks to motivate executives to work effectively to achieve our financial performance objectives and to reward them when those objectives are met. Executives' bonus payments are based upon our overall profitability.

Long-term incentive compensation. We believe that option grants: (a) align executive interests with shareholder interests by creating a direct link between compensation and shareholder return; (b) give executives a significant, long-term interest in our success; and (c) help retain key executives in a competitive market for executive talent.

Benefits. We believe that we must offer a competitive benefit program to attract and retain key executives.

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Pay Deductible Limit. Under Section 162(m) of the Internal Revenue Code and federal tax regulations, public companies are prohibited from receiving a tax deduction for compensation in excess of \$1 million paid to the chief executive officer or any of the four other most highly compensated executive officers for any fiscal year. The prohibition does not apply to certain performance based compensation. We take into consideration this compensation deductibility limit in structuring our compensation programs and in determining executive compensation. At

this time, our applicable executive officer compensation does not exceed \$1 million, and we do not expect that it is likely to be affected by these nondeductibility rules in the near future.

Submitted by: Arthur G. Weiss
 John D. Schneider, Jr.
 Mark Hawn

STOCK PERFORMANCE GRAPH

The chart below compares the cumulative total shareholder return on our common stock with the cumulative total return on the Nasdaq (U.S. Companies) Index and the Nasdaq Computer and Data Processing Services Index for the period commencing December 31, 1998 and ending December 31, 2003, assuming an investment of \$100 and the reinvestment of any dividends. Our common stock was traded on the American Stock Exchange until Friday, March 26, 1999. On Monday, March 29, 1999, our common stock began trading on the Nasdaq National Market. The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of the common stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The rules of the Securities and Exchange Commission require us to disclose late filings of stock transaction reports by our executive officers and directors. To the best of our knowledge, all required filings in 2003 were properly made in a timely fashion. In making the above statements, we have relied on the representations of the persons involved and on copies of their reports filed with the SEC.

SECURITY OWNERSHIP

The following table provides certain information as of April 15, 2004 regarding the beneficial ownership of our common stock by: (a) each of our directors; (b) each named executive officer (other than Mr. Meyerhoff, who is no longer an officer, and Mr. Perry, who is no longer an officer or employee); (c) each person known to us to be the beneficial owner of more than 5% of our common stock; and (d) all of our directors and executive officers as a group. The information in the table is based on information from the named persons regarding their ownership of our common stock, except that information regarding 5% owners other than Mr. Collins is based on Schedules 13G filed with the SEC in February 2004 by those entities, provided that information about JANA Partners LLC is based on a Schedule 13D it filed in April 2004. Unless otherwise indicated, each of the holders listed below has sole voting power and investment power over the shares beneficially owned and each person listed below as one of our executive officers or directors has an address in care of our principal office. The table also includes information regarding the ownership of our Series A preferred stock.

For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any shares that the person or group has the right to acquire within 60 days after April 15, 2004 or with respect to which the person otherwise has or shares voting or investment power. For purposes of computing the percentages of outstanding shares held by each person or group of persons on a given date, shares which that person or group has the right to acquire within 60 days after that date are deemed to be outstanding for purposes of computing the percentage for that person or group but are not deemed to be outstanding for the purpose of computing the percentage of any other person or group. The Shares Owned column in the table includes the shares owned by the persons named but does not include shares they may acquire by exercising options. The numbers shown in the Vested Options column include options that were vested as of April 15, 2004 and options that are scheduled to vest during the 60 days following April 15, 2004. On April 15, 2004, the following securities were outstanding: (a) 20,272,148 shares of our common stock, (b) 100,000 shares of our Series A preferred stock, and (c) options to purchase 4,134,205 shares of common stock.

<u>Name</u>	<u>Shares Owned</u>	<u>Vested Options</u>	<u>Shares Beneficially Owned</u>	<u>%</u>
<i>Common Stock</i>				

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		Vested	Shares	
John W. Collins (1)	1,259,568	1,084,369	2,343,937	11.0
G. Lynn Boggs	0	250,000	250,000	1.2
Randy Fluitt	5,608	138,333	143,941	*
Mark Hawn	0	11,667	11,667	*
John D. Schneider, Jr.	10,005	45,001	55,006	*
Glenn W. Sturm	372,390	89,748	462,138	2.3
James A. Verbrugge	0	11,667	11,667	*
Arthur G. Weiss	0	11,667	11,667	*
Perry Corp (2)	1,602,500	0	1,602,500	7.9
Tiger Technology Management (3)	1,477,000	0	1,477,000	7.3
Dimensional Fund Advisors, Inc. (4)	1,263,216	0	1,263,216	6.2
JANA Partners LLC (5)	1,619,937	0	1,619,937	8.0
All directors and executive officers as a group (14 persons)	2,171,007	1,910,724	4,088,731	18.4

Series A Preferred Stock

Sprout Capital IX, L.P. (6)	99,400			
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