

AMERICAN RIVER BANKSHARES
Form PRE 14A
March 20, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. _____)

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

Check the appropriate box:

- ☒ x Preliminary Proxy Statement
- ☐ o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☐ o Definitive Proxy Statement
- ☐ o Definitive Additional Materials
- ☐ o Soliciting Material Pursuant to §240.14a-12

American River Bankshares

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ x No fee required.
- ☐ o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:
 - ☐ o Fee paid previously with preliminary materials.
 - ☐ o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:

4) Date Filed:

AMERICAN RIVER BANKSHARES

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
May 21, 2009

TO THE SHAREHOLDERS OF AMERICAN RIVER BANKSHARES:

NOTICE IS HEREBY GIVEN that, pursuant to the call of its Board of Directors, the Annual Meeting of Shareholders (the Meeting) of American River Bankshares (the Company) will be held on Thursday, May 21, 2009 at 3:00 p.m., at 3100 Zinfandel Drive, Ste. 450, Rancho Cordova, CA 95670 for the following purposes:

1. **Election of Directors.** To elect nominees, Dorene C. Dominguez, Stephen H. Waks, Michael A. Ziegler, Charles D. Fite, Robert J. Fox, Philip A. Wright, and Roger J. Taylor, D.D.S. to serve until the 2010 Annual Meeting of Shareholders and until their successors are duly elected and qualified.
2. **Authorize the Issuance of Preferred Stock.** To approve the amendment of the Company s Articles of Incorporation to authorize the issuance of preferred stock.
3. **Ratification of Independent Registered Public Accounting Firm.** To ratify the selection of Perry-Smith LLP as the Company s independent registered public accounting firm for the 2009 fiscal year.
4. **Other Business.** To transact such other business as may properly come before the Meeting and any and all postponements or adjournments thereof.

Article III, Section 3.3 of the bylaws of the Company provides for the nomination of directors in the following manner:

Nominations for election of members of the board may be made by the board or by any holder of any outstanding class of capital stock of the corporation entitled to vote for the election of directors. Notice of intention to make any nominations (other than for persons named in the notice of the meeting called for the election of directors) shall be made in writing and shall be delivered or mailed to the president of the corporation by the later of: (i) the close of business twenty-one (21) days prior to any meeting of shareholders called for the election of directors; or (ii) ten (10) days after the date of mailing of notice of the meeting to shareholders. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; (e) the number of shares of capital stock of the corporation owned by the notifying shareholder; (f) the number of shares of capital stock of any bank, bank holding company, savings and loan association, or other depository institution owned beneficially by the nominee or by the notifying shareholder and the identities and locations of any such institutions; and (g) whether the proposed nominee has ever been convicted of or pleaded nolo contendere to any criminal offense involving dishonesty or breach of trust, filed a petition in bankruptcy or been adjudged bankrupt. The notification shall be signed by the nominating shareholder and by each nominee, and shall be accompanied by a written consent to be named as a nominee for election as a director from each proposed nominee. Nominations not made in accordance with these procedures shall be disregarded by the chairperson of the meeting, and upon his or her instructions, the inspectors of election shall disregard all votes cast for each such nominee. The foregoing requirements do not apply to the nomination of a person to replace a proposed nominee who has become unable to serve as a director between the last day for giving notice in accordance with this paragraph and the date of election of directors if the procedure called for in this paragraph was followed with respect to the nomination of the proposed nominee.

The Board of Directors has fixed the close of business on March 30, 2009 as the record date for determination of shareholders entitled to notice of, and to vote at, the Meeting and any and all postponements or adjournments thereof.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Stephen H. Waks

Stephen H. Waks
Corporate Secretary

Dated: April 10, 2009

PLEASE SIGN AND RETURN THE ENCLOSED PROXY CARD (PROXY) AS PROMPTLY AS POSSIBLE AND INDICATE IF YOU WILL ATTEND THE MEETING IN PERSON. ALTERNATIVELY, A SHAREHOLDER CAN CHOOSE TO VOTE BY TELEPHONE OR BY USING THE INTERNET AS INDICATED ON THE PROXY. IF YOU VOTE BY TELEPHONE OR ELECTRONICALLY THROUGH THE INTERNET, YOU DO NOT NEED TO RETURN THE PROXY. PLEASE REFER TO THE PROXY STATEMENT AND PROXY FOR A MORE COMPLETE DESCRIPTION OF THE PROCEDURES FOR TELEPHONE AND INTERNET VOTING.

THIS PAGE INTENTIONALLY LEFT BLANK

**AMERICAN RIVER BANKSHARES
PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
May 21, 2009**

INTRODUCTION

This proxy statement is furnished in connection with the solicitation of proxies for use at the 2009 Annual Meeting of Shareholders (the Meeting) of American River Bankshares (the Company) to be held on Thursday, May 21, 2009, at 3:00 p.m., at the Company's Headquarters at 3100 Zinfandel Drive, Ste. 450, Rancho Cordova, CA 95670 and at any and all postponements or adjournments thereof. Only shareholders of record on March 30, 2009 (the Record Date) will be entitled to notice of the Meeting and to vote at the Meeting. At the close of business on the Record Date, the Company had outstanding and entitled to be voted 5,797,533 of the Company's no par value common stock. Directions to the Meeting can be found later in this proxy statement.

Revocability of Proxies

A proxy for voting your shares at the Meeting is enclosed. Any shareholder who executes and delivers such proxy has the right to and may revoke it at any time before it is exercised by filing with the Secretary of the Company an instrument revoking it or a duly executed proxy bearing a later date. In addition, a proxy will be revoked if the shareholder executing such proxy is in attendance at the Meeting and such shareholder votes in person. Subject to such revocation, all shares represented by a properly executed proxy received in time for the Meeting will be voted by the proxyholders in accordance with the instructions specified on the proxy.

Unless otherwise directed in the accompanying proxy, the shares represented by your executed proxy will be voted FOR the nominees for election of directors named herein, FOR the authorization to issue preferred stock, and FOR the ratification of the selection of Perry-Smith LLP as the Company's independent registered public accounting firm for the 2009 fiscal year. If any other business is properly presented at the Meeting and at any and all postponements or adjournments thereof, the proxy will be voted in accordance with the recommendations of management.

Solicitation of Proxies

This solicitation of proxies is being made by the Board of Directors of the Company. The expenses of preparing, assembling, printing, and mailing this proxy statement and the materials used in this solicitation of proxies will be borne by the Company. It is contemplated that proxies will be solicited principally through the use of the mail, but directors, officers, and employees of the Company may solicit proxies personally or by telephone, without receiving special compensation. The Company will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding the proxy statement to shareholders whose stock in the Company is held of record by such entities. In addition, the Company may use the services of individuals or companies it does not regularly employ in connection with this solicitation of proxies, if management determines it is advisable.

Voting Securities

On any matter submitted to the vote of the shareholders, each holder of common stock will be entitled to one vote, in person or by proxy, for each share of common stock he or she held of record on the books of the Company as of the Record Date.

A majority of the shares entitled to vote, represented either in person or by a properly executed proxy, will constitute a quorum at the Meeting. If, by the time scheduled for the Meeting, a quorum of shareholders of the Company is not present or if a quorum is present but sufficient votes in favor of any of the proposals have not been received, the Meeting may be held for purposes of voting on those proposals for which sufficient votes have been received, and the persons named as proxyholders may propose one or more adjournments of the Meeting to permit further solicitation of proxies with respect to any of the proposals as to which sufficient votes have not been received.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

Votes cast will be counted by the Inspector of Election for the Meeting. The Inspector will treat abstentions and broker non-votes (shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power under applicable rules of the stock exchange or other self-regulatory organization of which the broker or nominee is a member) as shares that are present and entitled to vote for purposes of determining the presence of a quorum. Abstentions and broker non-votes will not be counted as shares voted for purposes of determining the outcome of any matter as may properly come before the Meeting.

Any shareholder may choose to vote shares of common stock by telephone by calling the toll-free number (at no cost to the shareholder) indicated on the proxy. Telephone voting is available 24 hours per day. Easy to follow voice prompts allow a shareholder to vote shares and to confirm that instructions have been properly recorded. The Company's telephone voting procedures are designed to authenticate the identity of shareholders by utilizing individual control numbers. *If a shareholder votes by telephone, there is no need to return the proxy.*

Any shareholder may also choose to vote shares of common stock electronically by using the Internet, as indicated on the proxy. Internet voting procedures are designed to authenticate the identity of a shareholder and to confirm that instructions have been properly recorded. The Company believes these procedures are consistent with the requirements of applicable law. *If a shareholder votes electronically by using the Internet, there is no need to return the proxy.*

If you vote by telephone or Internet, your vote must be received by 1:00 a.m., Eastern Time, on May 21, 2009 to ensure that your vote is counted.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of the Record Date, March 30, 2009, no individual known to the Company owned more than five percent (5%) of the outstanding shares of its common stock.

The following table sets forth information as of March 30, 2009, concerning the equity ownership of the Company's directors, director-nominees, and the executive officers named in the Summary Compensation Table, and directors, director-nominees, and executive officers as a group. Unless otherwise indicated in the notes to the table, each person listed below possesses sole voting and sole investment power, or shared voting and investment power with a spouse, for the shares of the Company's common stock listed below. All of the shares shown in the following table are owned both of record and beneficially except as indicated in the notes to the table. The Company has only one class of shares outstanding, common stock. Management is not aware of any arrangements which may, at a subsequent date, result in a change of control of the Company.

Name and Address (1) of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (2)
Kevin B. Bender	29,191 (4)	0.5%
Amador S. Bustos	27,228 (5)	0.5%
Raymond F. Byrne	12,837 (6)	0.2%
Mitchell A. Derenzo	54,196 (7)	0.9%
Dorene C. Dominguez	5,344 (8)	0.1%
Charles D. Fite	156,702 (9)	2.7%
Robert J. Fox	20,014 (10)	0.3%
William A. Robotham	85,081 (11)	1.5%
David T. Taber	162,960 (12)	2.8%
Roger J. Taylor, D.D.S.	65,179 (13)	1.1%
Douglas E. Tow	23,253 (14)	0.4%
Stephen H. Waks	77,254 (15)	1.3%
Philip A. Wright (3)	56,421 (16)	1.0%
Michael A. Ziegler	20,410 (17)	0.4%
All directors, director-nominees, and executive officers as a group (14 persons)	796,070 (18)	13.3%

(1) The address for all persons listed is c/o American River Bankshares, 3100 Zinfandel Drive, Suite 450, Rancho Cordova, CA 95670.

(2) Includes shares of common stock subject to stock options exercisable within 60 days of the Record Date.

(3)

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

Mr. Wright was appointed to the Board of Directors on March 18, 2009. The fees reported in the table represent fees earned as a director of the Company's subsidiary, American River Bank.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

- (4) Includes 14,580 shares which Mr. Bender has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (5) Includes 6,571 shares which Mr. Bustos has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (6) Includes 10,945 shares which Mr. Byrne has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (7) Includes 15,634 shares which Mr. Derenzo has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (8) Includes 418 shares which Ms. Dominguez has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (9) Includes 8,538 shares which Mr. Fite has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (10) Includes 7,240 shares which Mr. Fox has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (11) Includes 7,240 shares which Mr. Robotham has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (12) Includes 32,729 shares which Mr. Taber has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (13) Includes 16,521 shares which Doctor Taylor has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (14) Includes 15,634 shares which Mr. Tow has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (15) Includes 16,521 shares which Mr. Waks has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (16) Includes 315 shares which Mr. Wright has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (17) Includes 13,736 shares which Mr. Ziegler has the right to acquire upon the exercise of stock options within 60 days of the Record Date.
- (18) Includes 166,622 stock options outstanding to purchase common stock exercisable within 60 days of the Record Date.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

The Company's Bylaws provide that the number of directors of the Company shall not be less than eight (8) nor more than fifteen (15) until changed by an amendment to Article III, Section 3.2 of the Bylaws duly adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote. The exact number of directors shall be fixed from time to time within the authorized range by, among other means, (i) a resolution duly adopted by the Board of Directors; or (ii) a bylaw or amendment thereof duly adopted by the vote of a majority of the shares entitled to vote represented at a duly held meeting at which a quorum is present, or by the written consent of the holders of a majority of the outstanding shares entitled to vote.

On March 18, 2009, the Board of Directors fixed the number in the authorized range at ten (10) and appointed Philip A. Wright as a director. Director Wright is included in management's slate of nominees for election as a director. In 2000, the Board of Directors deemed it to be appropriate and in the best interests of shareholders of the Company to classify the Board into three classes and shareholders approved such action at the meeting held on September 21, 2000. In 2008, the Board of Directors deemed it to be appropriate and in the best interests of shareholders of the Company to declassify the Board and shareholders approved such action at the meeting held on May 22, 2008, provided that directors would continue to serve their remaining term of office before converting to annual election. At the annual meeting of shareholders held in 2008, Directors Michael A. Ziegler, Stephen H. Waks and Dorene C. Dominguez were elected as directors to serve for a one-year term expiring at the 2009 annual meeting of shareholders. At the annual meeting of shareholders held in 2007, Directors Amador S. Bustos, William A. Robotham and David T. Taber were elected as directors to serve for a three-year term expiring at the 2010 annual meeting of shareholders. At the annual meeting of shareholders held in 2006, Directors Charles D. Fite, Robert J. Fox and Dr. Roger J. Taylor were elected as directors to serve for a three-year term expiring at the 2009 annual meeting of shareholders.

The following persons are the nominees of the Board of Directors for election to serve for a one-year term until the 2010 annual meeting of shareholders and until their successors are duly elected and qualified:

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

Nominees for Election:

Name and Title Other than Director	Principal Occupation During the Last Five Years	Age	Year First Elected Director
Dorene C. Dominguez	President, Vanir Group of Companies, Inc. in Sacramento since 2004. Vice President of Vanir Construction Mgmt., Inc. in Sacramento from 1991 to 2004.	46	2007
Stephen H. Waks Corporate Secretary	Attorney-at-Law; Owner of Waks Law Corporation in Sacramento.	61	1986
Michael A. Ziegler	President and Chief Executive Officer of PRIDE Industries in Roseville, California.	64	2002
Charles D. Fite Chairman	President, Fite Development Company in Sacramento.	51	1993
Robert J. Fox	Partner, Gallina LLP, Certified Public Accountants in Sacramento.	64	2004
Roger J. Taylor, D.D.S. Vice Chairman	Dentist (Retired) and National Executive Director, Impax Health Prime and a real estate developer in Sacramento.	63	1983
Philip A. Wright	Real Estate Broker and Owner of Wright Investment Inc. dba Prudential California Real Estate in Windsor, California.	62	2009

All proxies will be voted for the election of the seven nominees recommended by the Board of Directors, unless authority to vote for the election of any director or all directors is withheld. All of the nominees are incumbent directors.

None of the nominees were subject to any legal proceedings involving violations of securities laws, convictions in a criminal proceeding (excluding traffic violations or minor offenses) or had a petition under bankruptcy laws filed against themselves or an affiliate within the last five years.

If any of the nominees should unexpectedly decline or be unable to serve as a director, the proxies may be voted for a substitute nominee to be designated by the Board of Directors. The Board of Directors has no reason to believe that any nominee will become unavailable and has no present intention to nominate persons in addition to or in lieu of those named above.

The following persons are the directors previously elected and who will continue in office to serve for a one-year term until the 2010 annual meeting of shareholders and until their successors are duly elected and qualified.

Directors, Continuing in Office:

Name and Title Other than Director	Principal Occupation During the Last Five Years	Age	Year First Elected Director
Amador S. Bustos	Chairman and Chief Executive Officer, Bustos Media LLC in Sacramento since 2004 and Managing Partner, Bustos Asset Management LLC in Sacramento since 1999.	58	2004
William A. Robotham	Executive Partner, Pisenti & Brinker LLP, Certified Public Accountants in Santa Rosa.	67	2004
David T. Taber President and CEO	President and CEO, American River Bankshares since 1995. CEO of American River Bank since 2004.	48	1989

None of the Company's directors, nominees for election as directors listed above, or executive officers listed on page 2, were selected pursuant to any arrangement or understanding other than with the directors and executive officers of the Company acting within their capacities.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

as such. There are no family relationships between any two or more of the directors, nominees for director, or executive officers. No director, nominee for director, or executive officer serves as a director of (i) any company which has a class of securities registered under Section 12, or which is subject to the periodic reporting requirements of Section 15(d) of the Securities Exchange Act of 1934, or (ii) any company registered as an investment company under the Investment Company Act of 1940, except William A. Robotham, who is also a director of American TonerServ Corp, a Delaware corporation with an office in Santa Rosa. American TonerServ Corp is a national distributor of compatible printer toner cartridges and services printers and other office equipment.

Recommendation of Management

The Board of Directors recommends a vote **FOR** each of the seven (7) nominees listed above.

Committees of the Board of Directors

Nominating Committee. The Nominating Committee, whose members are Charles D. Fite, Roger J. Taylor, D.D.S., Stephen H. Waks and Michael A. Ziegler (Chairman), has the responsibility to assist the Board of Directors by (a) establishing criteria for candidates and identifying, evaluating, and recommending candidates, including candidates proposed by shareholders, for election to the Board of Directors, and (b) periodically reviewing and making recommendations on the composition of the Board of Directors. The Nominating Committee met once in 2008. All members of the Nominating Committee are independent, as that term is defined under applicable NASDAQ listing rules. Candidates are selected in accordance with a Nominating Charter. The Nominating Charter includes a policy for consideration of candidates proposed by shareholders. Any recommendations by shareholders will be evaluated by the Board of Directors in the same manner as any other recommendation and in each case in accordance with the Nominating Charter.

Shareholders that desire to recommend candidates for consideration by the Company's Board of Directors should mail or deliver written recommendations to the Company addressed as follows: Board of Directors, American River Bankshares, 3100 Zinfandel Drive, Suite 450, Rancho Cordova, CA 95670. Each recommendation should include biographical information indicating the background and experience of the candidate that qualifies the candidate for consideration as a director for evaluation by the Board of Directors. In addition to minimum standards of independence for non-employee directors and financial literacy, the Board of Directors considers various other criteria including the candidate's experience and expertise, financial resources, ability to devote the time and effort necessary to fulfill the responsibilities of a director and involvement in community activities in the market areas served by the Company that may enhance the reputation of the Company.

The Company operates in a highly regulated industry and is subject to the supervision, regulation and periodic examination by state and federal banking regulatory authorities including the Board of Governors of the Federal Reserve System, California Commissioner of Financial Institutions and Federal Deposit Insurance Corporation. Directors of the Company are subject to certain rules and regulations and potential liabilities not otherwise applicable to directors of non-banking organizations. Consequently, evaluation of candidates by the Company's Board of Directors may include more extensive inquiries into personal background information including confirmation of the accuracy and completeness of background information by (a) requiring candidates to complete questionnaires to elicit information of the type required to be disclosed by the Company in reports filed with the Securities and Exchange Commission, NASDAQ, or such state and federal banking regulatory authorities, (b) conducting background investigations by qualified independent organizations experienced in conducting criminal and civil investigatory reviews, and (c) such other personal and financial reviews and analyses as the Board of Directors may deem appropriate in connection with the consideration of candidates.

Shareholders who wish to nominate a candidate for election to the Company's Board of Directors, as opposed to recommending a potential nominee for consideration by the Board of Directors, are required to comply with the advance notice and any other requirements of the Company's bylaws, applicable laws and regulations. The Board of Directors may elect to use third parties in the future to identify or evaluate candidates for consideration by the Board of Directors. The Nominating Charter adopted by the Board of Directors is attached to this proxy statement as ANNEX A. The Nominating Committee recommended the slate of Nominees for Election described on pages 3 and 4.

Compensation Committee. The Compensation Committee, whose members include Charles D. Fite, Amador S. Bustos (Chairman), Michael A. Ziegler and William A. Robotham, oversees the performance and reviews the compensation of the executive officers and the directors of the Company and American River Bank. The Compensation Committee met four (4) times during 2008. See the Compensation Discussion and Analysis on page 15 and the Compensation Committee Charter attached to this proxy statement as ANNEX B for additional information regarding the functions of the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

The CEO is an invited guest to the Compensation Committee meetings and can be present at discussions regarding compensation matters relative to non-CEO executive officers or directors. The CEO cannot be present during deliberations or vote on CEO or non-CEO executive officer compensation matters.

The Board has determined that all members of the Compensation Committee are independent, as that term is defined under applicable NASDAQ listing rules including Director Fite from which the Company has leased one of its bank premises since 1985. The current lease terms and the Company's policy are disclosed beginning on page 30 of this proxy statement.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

Audit Committee. The Audit Committee, whose members are Amador S. Bustos, Robert J. Fox, William A. Robotham (Chairman), and Dorene C. Dominguez oversees the Company's independent registered public accounting firm, analyzes the results of internal and regulatory examinations and monitors the financial and accounting organization and reporting. Director Fox has been designated by the Board of Directors as an audit committee financial expert as defined under rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002. The Audit Committee met four (4) times in 2008 and held two (2) executive sessions which only the non-employee directors attended, each of whom is independent as defined under applicable NASDAQ listing rules. In addition, each other member of the Audit Committee is financially literate as defined under applicable NASDAQ listing rules. See the Audit Committee Report on page 34 and the Audit Committee Charter attached to this proxy statement as ANNEX C for additional information regarding the functions of the Audit Committee.

Finance and Capital Committee. The Finance and Capital Committee, whose members include Roger J. Taylor, D.D.S., Stephen H. Waks (Chairman), Michael A. Ziegler and Dorene C. Dominguez, has the responsibility to (a) oversee asset liability management and the investment portfolio including recommending to the full Board of Directors the annual investment strategy; (b) recommend to the full Board of Directors the annual operating budget for the Company; and (c) review premises leases and capital expenditures over \$75,000 for recommendation to the full Board of Directors. The Finance and Capital Committee met six (6) times during 2008.

Executive Committee. The Executive Committee, whose members include Charles D. Fite (Chairman), David T. Taber, Amador S. Bustos, William A. Robotham and Stephen H. Waks oversees long range planning, formulates and recommends broad policy positions for the full Board of Directors to consider and is responsible for evaluating and recommending to the full Board of Directors matters pertaining to mergers and acquisitions. The Executive Committee met once during 2008.

Loan Committee of American River Bank. The Loan Committee has the responsibility for establishing loan policy, approving loans which exceed certain dollar limits and reviewing the outside loan review firm's examinations of the loan portfolios. The Loan Committee includes Charles D. Fite, Robert J. Fox (Chairman), Roger J. Taylor, D.D.S., Stephen H. Waks, and Philip A. Wright. David T. Taber serves as an alternate committee member. The Loan Committee met twenty-two (22) times during 2008.

During 2008, the Company's Board of Directors held twelve (12) regular meetings and three (3) special meetings via teleconference. In addition, the Company's Board of Directors held two (2) executive sessions which only the non-employee directors attended, each of whom is independent as defined under applicable NASDAQ listing rules. All directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the number of meetings of the committees on which they served, except Roger J. Taylor, D.D.S., who attended 73% of the Board meetings and 68% of the Loan Committee meetings.

Shareholder Communications

A majority of the members of the Board of Directors, each of whom is independent as defined under applicable NASDAQ listing rules, has established procedures for receipt and delivery of shareholder communications addressed to the Board of Directors. Any such shareholder communications, including communications by employees of the Company solely in their capacity as shareholders, should be mailed or delivered to the Company addressed as follows: Board of Directors, American River Bankshares, 3100 Zinfandel Drive, Suite 450, Rancho Cordova, CA 95670.

Annual Meeting Attendance

The Company requires members of its Board of Directors to attend the Company's annual meeting of shareholders each year. All directors attended the Company's annual meeting of shareholders held in 2008.

Director Compensation Program

The Compensation Committee of the Board of Directors (the Compensation Committee) oversees the Company's director compensation program. The compensation program includes elements that are designed specifically for the non-employee directors (excluding David Taber). Additionally, the Compensation Committee is charged with the review, and recommendation to the full Board of Directors, of all annual compensation decisions relating to the directors.

The Compensation Committee's compensation philosophy was developed to balance and align the interests of the directors and shareholders. The three primary elements of compensation for our directors are cash compensation, long-term equity-based incentives, and a Director Emeritus Plan.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

In 2006, the Compensation Committee retained The Balser Group, a compensation and benefits consulting firm. The Balser Group served as an independent compensation consultant to advise the Compensation Committee on all matters related to the Board compensation and general compensation programs. The Balser Group also provided guidance on industry best practices and assisted the Compensation Committee by providing comparative market data on compensation practices and programs based on an analysis of peer organizations.

For the analysis of the 2008 director compensation, the Compensation Committee selected a compensation peer group of companies consisting of eighteen publicly-traded, mid-to-high performing financial institutions within and around our geographic market (the Peer Group). The Peer Group is used to benchmark compensation levels against companies that are similar in breadth and scope to our Company. The following eighteen companies comprise the Peer Group for 2008: 1st Centennial Bancorp, Bank of Commerce Holdings, Bank of Marin Bancorp, Bridge Capital Holdings, Central Valley Community Bancorp, Community Valley Bancorp, Community West Bankshares, First Northern Community Bancorp, FNB Bancorp, Harrington West Financial Group, Heritage Commerce Bancorp, Heritage Oaks Bancorp, North Valley Bancorp, Pacific Premier Bancorp Inc., San Joaquin Bancorp, Sierra Bancorp, Tamalpais Bancorp, and United Security Bancshares. The Peer Group data was combined with other published survey information to create the Survey Data which the Compensation Committee reviewed.

The Company targets total compensation to be at or above the Peer Group average. The goal of the cash compensation is to be close to the Peer Group average, while long-term incentives and retirement benefits are targeted at or above the Peer Group averages. The decisions by the Board about its member's compensation are based on analysis of the Peer Group averages, the directors' completion of continuing education programs, attendance at Board and committee meetings and prompt responses to management's requests for information required to complete and timely file regulatory filings.

Overview of Director Compensation Elements

The Company's Director Compensation Program consists of several compensation elements, as illustrated in the table below.

Pay Element	What the Pay Element Rewards	Purpose of the Pay Element
Cash Compensation	Director contribution to the governance of the Company.	Provide fixed compensation based on competitive market practice.
Long-Term Incentives	<p><u>Stock Options:</u></p> <p>The Company's stock price performance; and</p> <p>Continued role with the Company during a five- year vesting period.</p>	<p>Maximize stock price performance;</p> <p>Increase director ownership in the Company; and</p> <p>Promote a long-term Company outlook.</p>
Retirement Benefits	<p>The Deferred Fee Plan is a nonqualified voluntary deferral program that allows the directors to tax-defer a portion of their cash compensation.</p> <p>The Director Emeritus Plan provides the director with retirement benefits for ongoing consulting.</p>	<p>Provides a tax-deferred retirement savings program. The Deferred Fee Plan is described in more detail on page 9 of this proxy statement.</p> <p>The Director Emeritus Plan makes available benefits for the directors to secure their consulting services following their retirement from the Company. The Director Emeritus Plan is described in more detail on page 9 of this proxy statement.</p>

The use of these compensation elements enables us to reinforce our pay for performance philosophy, as well as strengthen our ability to attract and retain highly qualified directors.

Detail of Director Compensation Elements

The Compensation Committee believes the total compensation and benefits program for the directors should consist of the following: cash compensation, long-term incentives and retirement benefits.

o Cash Compensation

The cash compensation paid to non-employee directors of American River Bankshares and American River Bank during 2008 did not change from 2007 and included a retainer of \$800 per month, a fee of \$400 for attendance at monthly board meetings, a fee of \$350 for attendance at each subsidiary board meeting, and a fee of \$300 for attendance at each committee meeting, other than the Loan Committee whose outside director members received a fee of \$400 for each meeting attended. In addition to the fees received as non-employee directors in connection with the attendance at Board and committee meetings, the Chairman of the Board of Directors received an additional retainer fee of \$700 per month, and the Chairman of the Audit Committee, the Chairman of the Finance and Capital Committee, the Chairman of the Compensation Committee, and the Chairman of the Loan Committee each received an additional retainer fee of \$300 per month. The fees paid in 2008 by American River Bankshares and American River Bank to all directors are disclosed in the Directors Compensation Table on page 9 of this proxy statement.

o Long-Term Incentive

The long-term incentive compensation element has historically been provided in the form of stock options that vest and become exercisable ratably over five years. The Compensation Committee has used stock options, rather than other forms of long-term incentives, because they create value for the director only if the shareholder value is increased through an increased stock price. The Compensation Committee believes that this creates strong alignment between the interests of the directors and shareholders.

In 2000, the Board of Directors approved the American River Bankshares 2000 Stock Option Plan (the "Stock Option Plan") for performance-related awards for directors, executive officers and other key employees. Our shareholders approved the Stock Option Plan in September 2000. The compensation expense related to stock option grants to directors is shown in the Directors Compensation Table on page 9 of this proxy statement.

Options granted to the directors and executive officers are generally granted annually, at the same time as grants to the general eligible officer population. Option grant recommendations are made at Compensation Committee meetings scheduled in advance to meet appropriate deadlines for compensation related decisions. The Compensation Committee then recommends the grants to the full Board of Directors for their approval. Our practice is that the full Board of Directors approves all stock option grants at regularly scheduled meetings. The meetings are held after the close of the U.S. stock markets and the Board sets the exercise price for each stock option using the closing price of the Company's stock price on the date of grant.

There is a limited term in which the director can exercise stock options, known as the option term. The option term is generally ten years from the date of grant. At the end of the option term, the right to purchase any unexercised options expires. Option holders generally forfeit any unvested options upon separation with the Company. In certain instances, stock options may vest on an accelerated schedule. A change of control may trigger accelerated vesting. In this instance, all unvested options will vest as of the date of the change in control.

The director options are granted after review of their performance for the preceding calendar year. The targeted options are granted based on factors including: (a) attendance at Board and committee meetings (30% of option grant target), (b) completion of a specified number of continuing education hours (40% of option grant target), and (c) prompt responses to management's requests for information required to complete and timely file regulatory filings (30% of option grant target). On February 20, 2008, Directors Bustos, Fite, Fox, Robotham, Taylor, Waks and Ziegler were granted a nonstatutory stock option under the 2000 Plan to purchase 2,652 shares of American River Bankshares common stock at \$17.00 per share (converted to 2,785 shares at \$16.19 as adjusted for the 5% stock dividend declared in November 2008) and Director Dominguez was granted a nonstatutory stock option under the 2000 Plan to purchase 1,989 shares of American River Bankshares common stock at \$17.00 per share (converted to 2,088 shares at \$16.19 as adjusted for the 5% stock dividend declared in November 2008). On May 21, 2008, Director Wright was granted a nonstatutory stock option under the 2000 Plan to purchase 1,500 shares of American River Bankshares common stock at \$13.00 per share (converted to 1,575 shares at \$12.38 as adjusted for the 5% stock dividend declared in November 2008). See also the Director Compensation Table on page 9 and the Grants of Plan-Based Awards Table for Directors on page 10 of this proxy statement for more information regarding director options.

o Retirement Benefits

Effective December 20, 2001, a Deferred Fee Plan was established for the purpose of providing the directors an opportunity to defer tax on director fees. Participating directors may elect to defer a portion, up to 100%, of their monthly cash compensation. American River Bankshares bears the administration costs and pays interest on the deferred balances at a rate equal to the five-year U.S. Treasury Bond plus 4.0%, but does not make contributions to the deferred account balances. The amounts deferred and the earnings thereon are unfunded. During 2008, Directors Bustos and Ziegler participated in the Deferred Fee Plan and deferred \$18,900 and \$17,300, respectively.

In January 2003, the Board of Directors approved a Directors Retirement Plan and in June 2004, this Directors Retirement Plan was replaced with a Director Emeritus Program, whereby each non-employee director (excluding David Taber) is entitled, upon full retirement from the Company or an affiliate's Board of Directors, to receive installment payments over a 24 month period following retirement which are equal to the total Board of Director and committee fees received by a director for such service during the two full calendar years prior to retirement. To qualify for the payments, a director participating in the Director Emeritus Program must continue to support the Company by making himself/herself available for consultation with management and/or the Board, continue to be a referral source for business to the Company and attend Company functions such as annual meetings for a period of two years after retirement. The Director Emeritus Program contains a ten-year vesting component. A director vests 10% for each year of service on the Board of Directors of the Company or an affiliate Board of Directors. During 2008, there were no former directors participating in the Director Emeritus Program.

Director Compensation Table

The following table shows the compensation of the Company's Board of Directors during the fiscal year 2008.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$ (1) (2))	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$ (3))	Total (\$)
Charles D. Fite	\$ 36,800	\$ 6,980		\$ 43,780
Roger J. Taylor, D.D.S.	\$ 20,746	\$ 6,980		\$ 27,726
Amador S. Bustos (4)	\$ 18,900	\$ 11,006	\$ 1,414	\$ 31,320
Dorene C. Dominguez	\$ 14,700	\$ 760		\$ 15,460
Robert J. Fox	\$ 29,450	\$ 12,436		\$ 41,886
William A. Robotham (5)	\$ 24,600	\$ 12,436		\$ 37,036
Stephen H. Waks	\$ 30,600	\$ 6,980		\$ 37,580
Philip A. Wright (6)	\$ 12,200	\$ 273		\$ 12,473
Michael A. Ziegler (7)	\$ 21,150	\$ 13,019	\$ 1,592	\$ 35,761

- (1) The amount reported in this column is the dollar amount recognized for financial statement reporting purposes for 2008 in accordance with FAS 123(R). Options awarded on February 20, 2008 were valued at \$2.91/ share and options granted on May 21, 2008, were valued at \$2.08/share in accordance with FAS 123(R). The assumptions used to calculate FAS 123(R) fair value are described in footnote 2 to our consolidated financial statements included in our Annual Report on Form 10-K.
- (2) As of December 31, 2008, the aggregate number of unexercised stock options (vested and unvested) held by each director is as follows: Mr. Fite, 14,757; Dr. Taylor, 22,740; Mr. Bustos, 12,334; Ms. Dominquez, 2,088; Mr. Fox, 13,459; Mr. Robotham, 18,709; Mr. Waks, 22,740; Mr. Wright, 1,575, and Mr. Ziegler, 19,955.
- (3) Amount represents the preferential rate paid on amounts deferred under the Deferred Fee Plan. See page 9 of this proxy statement for discussion of Deferred Fee Plan.
- (4) Mr. Bustos deferred the entire \$18,900 earned in 2008 under the Deferred Fee Plan. See page 9 of this proxy statement for discussion of Deferred Fee Plan.
- (5)

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

Includes \$750 for fees earned in connection with Mr. Robotham's role on the advisory Board for North Coast Bank, a division of American River Bank.

- (6) Includes \$750 for fees earned in connection with Mr. Wright's role on the advisory Board for North Coast Bank, a division of American River Bank.
- (7) Mr. Ziegler deferred \$17,300 of the total earned in 2008 under the Deferred Fee Plan. See page 9 of this proxy statement for discussion of Deferred Fee Plan.

Grants of Plan-Based Awards Table for Directors

The following table summarizes the stock options that were granted pursuant to the Company's 2000 Stock Option Plan (the "2000 Stock Option Plan") to the Company's non-employee directors (excluding David Taber) in the fiscal year ended December 31, 2008. Shareholders approved the 2000 Stock Option Plan on September 21, 2000. All of the grants were made on February 20, 2008, except those options granted to Mr. Wright, which were granted on May 21, 2008. All options vest ratably over a five-year period commencing one year after the grant date. Options may become exercisable in full in the event of a change of control as defined in the 2000 Stock Option Plan. The Company does not have any other equity based plans.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh) (1)	Grant Date Fair Value of Stock and Option Awards (\$) (2)
Charles D. Fite	2/20/2008	2,652	\$ 17.00	\$ 7,717
Roger J. Taylor, D.D.S.	2/20/2008	2,652	\$ 17.00	\$ 7,717
Amador S. Bustos	2/20/2008	2,652	\$ 17.00	\$ 7,717
Dorene C. Dominguez	2/20/2008	1,989	\$ 17.00	\$ 5,788
Robert J. Fox	2/20/2008	2,652	\$ 17.00	\$ 7,717
William A. Robotham	2/20/2008	2,652	\$ 17.00	\$ 7,717
Stephen H. Waks	2/20/2008	2,652	\$ 17.00	\$ 7,717
Philip A. Wright	5/21/2008	1,500	\$ 13.00	\$ 3,120
Michael A. Ziegler	2/20/2008	2,652	\$ 17.00	\$ 7,717

- (1) It is the Company's policy that the exercise price for each stock option is the market value as of the close of the market on the date of grant.
- (2) The Black-Scholes option-pricing model was used to estimate the grant date fair value of the options in this column. Use of this model should not be construed as an endorsement of its accuracy. All stock option pricing models require predictions about the future movement of the stock price. The assumptions used to develop the grant date valuations were: risk-free rate of return of ranged from 3.38% to 3.45%, dividend rate ranged from 3.23% to 4.62%, volatility rate ranged from 21.3% to 24.3%, quarterly reinvestment of dividends and an average term of 7 years. The real value of the options in this table will depend on the actual performance of the Company's common stock during the applicable period and the fair market value of the Company's common stock on the date the options are exercised.

PROPOSAL NO. 2

**APPROVAL OF AMENDMENT OF THE ARTICLES OF INCORPORATION
TO AUTHORIZE THE ISSUANCE OF PREFERRED STOCK**

Introduction

On March 18, 2009, the Board of Directors adopted an amendment to Article Three of the Company's Articles of Incorporation, which authorizes the issuance of up to 10,000,000 shares of preferred stock in one or more series with such rights, preferences, privileges and restrictions as may be determined by the Board of Directors (hereinafter referred to as the Preferred Stock). In order to be effective, this amendment must be approved by holders of a majority of the Company's outstanding shares of common stock. The Board believes that it is in the best interests of the Company and its shareholders to approve this amendment to provide the Company with maximum flexibility in regard to the capital structure of the Company. Article Three as currently in effect and as proposed to be amended to authorize the Preferred Stock is set forth in ANNEX D attached to this proxy statement.

Reasons for the Amendment

The Board of Directors believes that the continuing weak economic conditions and uncertainty regarding improvement in those conditions requires that the Company take all necessary actions to position the Company and American River Bank to remain properly capitalized in safe and sound condition throughout the remainder of the current economic crisis confronting the financial industry and as the Company and American River Bank continue to grow. In this regard, the Board of Directors believes that the Preferred Stock will provide greater flexibility with respect to future financing transactions. Preferred stock is commonly authorized under the articles of incorporation of publicly traded companies and is frequently used as a means of raising capital and making acquisitions. In some circumstances, companies may be required to use senior classes of securities to raise capital or to effect acquisitions. The Company currently lacks the ability to timely issue preferred stock in such circumstances and without such ability to issue preferred stock, the Company is limited to structuring future financing transactions by issuance of the Company's common stock or issuance of debt instruments. This limitation may preclude the Company from taking advantage of opportunities for future financing transactions requiring the use of senior classes of securities such as preferred stock or under circumstances in which the Board of Directors would determine that the use of preferred stock would be in the best interests of the Company and its shareholders compared to the issuance of common stock or debt instruments.

The Board of Directors believes the flexibility afforded by preferred stock enhances the Company's available financing alternatives in the event it becomes necessary to raise additional capital and in connection with any acquisition opportunities which may arise in the future. This flexibility includes the ability of the Board of Directors to respond quickly to changing capital markets conditions by setting the terms of and issuing preferred stock in capital financing transactions without incurring the delay and expense of calling a special shareholder meeting to obtain approval for particular issuances, if not otherwise required to do so under applicable law, or requirements of an exchange or quotation system upon which the Company's securities are then trading or quoted. The Company has no current agreement or intention to issue preferred stock.

Potential Anti-Takeover and Other Effects of Preferred Stock

The issuance of the Preferred Stock could have certain anti-takeover effects. For example, shares of the Preferred Stock could be issued in a transaction in such amounts and on such terms so as to make it more difficult or time consuming for a third party to acquire a majority of the Company's outstanding voting stock or otherwise effect a change of control. The issuance of the Preferred Stock could materially increase the total consideration required to be paid by a potential acquirer thereby adversely affecting a proposed acquisition transaction or have the effect of materially reducing the consideration to be paid to the holders of the Company's common Stock. The Board of Directors also could, although it has no present intention of doing so, issue shares of the Preferred Stock to persons who indicate that they would support the Board of Directors in opposing any unsolicited takeover proposal.

Although the issuance of shares of the Preferred Stock in certain instances may have the effect of forestalling a hostile takeover, the Board of Directors does not intend or view the authorization of the Preferred Stock as an anti-takeover measure. Notwithstanding the Board's intention, under California law in certain circumstances, holders of preferred shares, even if those shares are not granted voting rights, will have the right to vote in connection with certain fundamental corporate transactions such as a reorganization and under those circumstances, unless the requisite vote is obtained from holders of that class, the preferred shareholders may effectively be able to block transactions which are otherwise supported by the common shareholders. The Company is not aware of any proposed or contemplated transaction of this type, and this amendment to the Company's Articles is not being recommended in response to any specific effort of which the Company is aware to obtain control of the Company. Except as disclosed in this proxy statement, the Board of Directors does not believe the Articles or Bylaws of the Company currently contain any other provisions which should be viewed as anti-takeover devices.

The majority of publicly traded companies have authorized one or more classes or series of preferred stock. Preferred stock is generally defined to mean any class of equity securities which has a dividend and/or liquidation preference over common stock. Pursuant to the proposed amendment to the Company's Articles, the rights, preferences, privileges and restrictions of the Preferred Stock shall be determined by the Board of Directors. As a result, in the event that this proposed amendment to the Company's Articles is adopted by shareholders, the Board of Directors of the Company may authorize the issuance of the Preferred Stock or series of the Preferred Stock that have certain dividend and/or liquidation preferences over the Company's common stock without further shareholder approval. The authority of the Board of Directors in this regard would include, but not be limited to, the determination or fixing of the following with respect to shares of any series of preferred stock:

the division of the shares of the Preferred Stock into series and the designation and authorized number of shares (up to the number of shares authorized) in each series;

the dividend rate and whether dividends are to be cumulative;

whether the shares are to be redeemable, and, if so, whether redeemable for cash, property or rights;

the liquidation rights to which the holders of the shares will be entitled, and the preferences, if any;

whether the shares of the Preferred Stock will be subject to the operation of a sinking fund, and, if so, upon what conditions;

whether the shares of the Preferred Stock will be convertible into or exchangeable for shares of any other class or of any other series of any class of capital stock and the terms and conditions of the conversion or exchange;

the voting rights of the shares of the Preferred Stock, which may be full, limited or none, except as otherwise required by law;

the preemptive rights, if any, to which the holders of the shares of the Preferred Stock will be entitled and any limitations thereon;

whether the issuance of any additional shares of the Preferred Stock, or of any shares of any other series, will be subject to restrictions as to issuance, or as to the powers, preferences or rights of any of these other series; and

any other rights, preferences, privileges and restrictions.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

The actual effect of the issuance of any shares of the Preferred Stock upon the rights of holders of the Company's common stock cannot be known until the Board of Directors determines the specific terms of any shares of the Preferred Stock. However, the effects might include, among other things, restricting dividends on the common stock, diluting the voting power of the common stock, reducing the market value of the common stock or impairing the liquidation rights of the holders of the common stock.

Text of Article Three and Proposed Amendment

The full text of Article Three of the Company's Articles of Incorporation as currently in effect and as proposed to be amended is attached to this proxy statement as ANNEX D.

Required Approval and Effectiveness

Approval of the proposed amendment to Article Three of the Company's Articles of Incorporation requires that holders of a majority of the outstanding shares of common stock of the Company vote **FOR** Proposal No. 2. Abstentions and broker non-votes will have the effect of votes **AGAINST** Proposal No. 2.

If Proposal No. 2 is approved, the amendment will become effective upon the filing with the Secretary of State of the State of California of an amendment to Article Three of the Company's Articles of Incorporation substantially in the form of the amendment attached hereto as ANNEX D.

Recommendation of Management

The Board of Directors believes that Proposal No. 2 is in the best interests of the Company and its shareholders, and unanimously recommends a vote **FOR** its approval.

EXECUTIVE OFFICERS

The executive officers of the Company during 2008 were the following persons:

NAME	AGE	OFFICER SINCE	PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS
David T. Taber	48	1985	President and Chief Executive Officer, American River Bankshares since 1995. Chief Executive Officer of American River Bank since 2004.
Mitchell A. Derenzo	47	1992	Executive Vice President and Chief Financial Officer of American River Bankshares since 1995. Chief Financial Officer of American River Bank since 1992.
Raymond F. Byrne	61	2000	President of North Coast Bank, a division of American River Bank, since 2003. Senior Vice President and Senior Lender of North Coast Bank from 2001 to 2003.
Larry D. Standing	66	2004	President of Bank of Amador, a division of American River Bank, since 2004. President of Bank of Amador from 1983 to 2004. Mr. Standing retired from the Company effective March 21, 2008.
Kevin B. Bender	45	1999	Executive Vice President and Chief Information Officer of American River Bankshares since 1999.
Douglas E. Tow	55	1994	Executive Vice President and Chief Credit Officer of American River Bankshares since 2003. Chief Credit Officer of American River Bank since 1994.

COMPENSATION DISCUSSION AND ANALYSIS

Oversight of Executive Compensation Program

The Compensation Committee of the Board of Directors (the "Compensation Committee") oversees the Company's compensation programs. The compensation programs include elements that are designed specifically for the executive officers (the "Executives" or an "Executive"), which include the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and the other Executives named in the Summary Compensation Table. Additionally, the Compensation Committee is charged with the review and recommendation to the full Board of Directors of all annual compensation decisions relating to the Executives.

The Compensation Committee is composed entirely of non-management members of the Board of Directors. The Board of Directors has determined that each member of the Compensation Committee is independent under applicable NASDAQ listing rules. No Compensation Committee member participates in any of the Company's employee compensation programs. Each year the Company's Audit Committee reviews any and all relationships that each director may have with the Company and the Board of Directors subsequently reviews the findings of the Audit Committee. The CEO of the Company was not present during the Compensation Committee voting or deliberations regarding his compensation.

Over the years, the Compensation Committee has taken the following actions to improve the links between Executive pay and performance including:

Established performance-based awards in the Company's incentive programs;

Retained independent compensation consultants to advise on executive compensation issues and help the Compensation Committee take a longer view of the multiple facets of its responsibility;

Designed and updated a more clearly defined competitive pay strategy which would be useful over multiple years and more strictly based on a shareholder benefit model; and

Reviewed and approved the industry specific Peer Group (as defined below) for more precise performance comparisons.

The responsibilities of the Compensation Committee, as stated in its charter, include the following:

Provide oversight to the Company's overall compensation strategy and objectives pursuant to the goals of the Company.

Review and recommend to the Board of Directors, changes to the structure and design of the compensation elements for the Executives including: annual base salary, annual cash incentives, long-term equity incentives, retirement plans (e.g., 401(k), deferred compensation, and salary continuation plans), and change in control benefits and severance.

Review and recommend to the Board of Directors, changes in the structure and design of the compensation elements for the Board of Directors of the Company and subsidiary(ies) and any committees thereof, including cash (e.g., meeting fees and retainers), long-term equity incentive plans and the Director Emeritus Program.

Review and recommend to the Board of Directors, the appropriate peer group to be used in benchmarking executive and board compensation.

Recommend annually to the Board of Directors, the compensation of the CEO, including base salary, annual cash incentive opportunity and changes to other compensation elements.

Recommend annually to the Board of Directors, the compensation of other executive officers based on the recommendation of the CEO including base salary, annual cash incentive opportunity and changes to other compensation elements.

Recommend to the Board of Directors the performance metrics and applicable weightings as required by the Company's Executive Annual Incentive Plan.

Recommend to the Board of Directors, changes to Company Board member and/or subsidiary Board member compensation.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

Recommend to the Board of Directors, annual equity grants to the Executives, board members and other key employees, pursuant to Board of Directors approved option granting methodology.

Recommend to the Board of Directors, additions to personnel covered by the Company's Deferred Compensation Plan.

Recommend to the Board of Directors, employment and/or severance agreements for the Executives.

Periodically review and recommend to the Board of Directors, changes to Executive retirement benefits, employment agreements, and change in control benefits and severance plans.

Periodically review the Company succession plans relating to positions held by the Executives and make recommendations to the Board of Directors regarding the process for selecting the individuals to fill these positions.

Evaluate the CEO's performance relative to the goals and objectives of the Company and discuss evaluations of other executive officers with the CEO.

Annually review and recommend changes deemed necessary to the Compensation Committee Charter.

Prepare and submit an appropriate Compensation Committee Report pursuant to applicable regulations of the Securities and Exchange Commission for inclusion in the management proxy statement for each annual meeting of shareholders, stating, among other matters, whether (i) the Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management, and (ii) the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in such proxy statement and the Company's Annual Report on Form 10-K.

Perform such other duties and responsibilities as may be required by the rules and regulations that govern the Company that are consistent with the purpose of the Compensation Committee, or as the Board of Directors may deem appropriate.

Overview of Compensation Philosophy

The Compensation Committee's compensation philosophy was developed to balance and align the interests of the Executives and shareholders. The philosophy is intended to attract, motivate, reward and retain the most qualified management talent required to achieve corporate objectives and increase shareholder value, while at the same time the compensation philosophy seeks to make the most efficient use of shareholder resources. To this end, the compensation philosophy emphasizes rewards for performance.

The three primary components of compensation for the Executives are base salary, annual cash incentive opportunity and long-term, equity-based incentive compensation. The Company also provides the Executives with retirement benefits that are earned over time.

To be effective, the compensation philosophy must reflect the corporate mission, culture, and long-term goals of the Company. In order to recruit and retain the most qualified and competent individuals as Executives, the Company strives to maintain a compensation program that is competitive in its peer industry labor market. The purpose of the compensation program is to reward individual performance tied to the achievement of Company objectives. The following objectives are considered in setting the compensation programs for the Executives:

reward performance which supports the Company's core values of performance, integrity, teamwork, and advancement opportunities;

provide a significant percentage of total compensation that is at-risk, or variable, based on predetermined performance criteria;

design competitive total compensation and rewards programs to enhance the Company's ability to attract and retain knowledgeable and experienced Executives; and

set compensation and incentive levels that reflect competitive market practices.

Compensation Consultant

In 2006, the Compensation Committee retained the Balser Group, a compensation and benefits-consulting firm. The Balser Group served as an independent compensation consultant to advise the Compensation Committee on all matters related to the Executives' compensation and general compensation programs. In 2006, The Balser Group assisted the Compensation Committee by providing comparative market data on compensation practices and programs for the Executives based on an analysis of peer competitors. The Balser Group also provided guidance on industry best practices. The Balser Group advised the Compensation Committee in (1) determining base salaries, (2) setting performance goals and award levels for the Company's Executive Incentive Plan (the "Incentive Plan"), (3) determining the appropriateness of individual grant levels for stock option grants, (4) evaluating the retirement plans and benefit amounts, (5) evaluating the perquisite program and allowances provided, and (6) determining the appropriateness of the change in control and termination benefits. In 2007, the Compensation Committee determined that the data provided by The Balser Group had long-term application and would be sufficient to determine if further changes would be required to the Executive compensation programs and therefore did not retain the services of The Balser Group, or any other compensation consultants, for 2007 or 2008.

Peer Group and Benchmark Targets

The Compensation Committee maintained its basic compensation peer group, which was determined with the help of The Balser Group in 2006, consisting of publicly-traded, mid-to-high performing financial institutions within and around the Company's geographic market (the "Peer Group"). The Peer Group was used to benchmark executive compensation levels against companies that have executive positions with responsibilities similar in breadth and scope to the Company and that compete with the Company for executive talent.

The following companies comprise the Peer Group used for 2008: 1st Centennial Bancorp, Bank of Commerce Holdings, Bank of Marin Bancorp, Bridge Capital Holdings, Central Valley Community Bancorp, Community Valley Bancorp, Community West Bankshares, First Northern Community Bancorp, FNB Bancorp, Harrington West Financial Group, Heritage Commerce Bancorp, Heritage Oaks Bancorp, North Valley Bancorp, Pacific Premier Bancorp Inc., San Joaquin Bancorp, Sierra Bancorp, Tamalpais Bancorp, and United Security Bankshares. An analysis based on recent financial data shows that the Company ranked 2nd in Return on Average Assets and 2nd in Return on Tangible Equity compared with the Peer Group. The Compensation Committee reviews data obtained from various consultants at industry conferences and statistics related to the Peer Group obtained from the SEC's website (the "Survey Data") to ensure that the total Executive compensation program continues to be fair to the shareholders and competitive for the Executives. Included in the Survey Data is a compilation of compensation and other published data, including, but not limited to, data obtained from the Watson Wyatt Financial Institutions Compensation Planning Report, the Mercer Long-Term Incentives and Equity Survey Report, and the California Bankers Association Compensation and Benefits Benchmark Survey.

Compensation Benchmarking Relative to Market

Using the Survey Data, the Compensation Committee considered "market" at the median of this data. The Compensation Committee targets total compensation above-market, tied to excellent Company and individual performance. Base compensation, long-term incentives, retirement and other benefits are targeted at close to market, while annual incentives are targeted at above-market levels.

Decisions by the Compensation Committee about the compensation elements are based on Survey Data as well as Company performance and the Executive's level of responsibility, skill level, experience and contributions to the Company.

Review of Executive Performance

The Compensation Committee reviews, on an annual basis, each compensation element for each Executive. In each case, the Compensation Committee takes into account the scope of responsibilities and years of experience and balances these against competitive salary levels. The Compensation Committee has the opportunity to interact with the Executives at various times during the year, which allows the Compensation Committee to form its own assessment of each individual's performance.

In addition, each year the CEO presents to the Compensation Committee an evaluation of each Executive, which includes a review of individual contribution, performance against specific targets, strengths and weaknesses, as well as a development plan. Following this presentation and a review of the Survey Data, the Compensation Committee makes its own assessments and approves the compensation for each Executive.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

In 2008, based on review of the Survey Data and the average cost of living salary increases granted by the Company to non-executive employees, the Compensation Committee, recommended to the Board of Directors that a cost of living base salary increase of a three percent (3.0%) was warranted. Based on the same review, the Compensation Committee also recommended that no changes to the long-term incentives or retirement benefits be granted nor that any modification be made to the percentage available to the Executives under the Company's Annual Cash Incentive Plan.

Overview of Executive Compensation Elements

The Company's compensation program for Executives consists of several compensation elements, as illustrated in the table below.

Pay Element	What the Pay Element Rewards	Purpose of the Pay Element
Base Salary	Core competence in the Executive's role relative to skills, years of experience and contributions to the Company.	Provide fixed compensation based on competitive market salary levels.
Annual Cash Incentives	Contributions toward the Company's achievement of specified profitability, growth, and credit quality.	Provides focus on meeting annual goals that lead to the long-term success of the Company; Stresses annual performance-based cash incentive compensation; and Motivates achievement of critical annual performance metrics.
Long-Term Incentives	<p><u>Stock Options:</u></p> <p>The Company's stock price performance; and Continued employment with the Company during a five-year vesting period.</p>	<p>Maximize stock price performance; Increase Executive ownership in the Company; and</p> <p>Retention in a challenging business environment and competitive labor market.</p>
Retirement Benefits	<p>The Company's employee benefit plans are available to eligible employees, including the Executives; to reward long-term service to the Company, and include both tax-qualified and nonqualified retirement plans.</p> <p>The Company offers a qualified 401(k) program that the Executives are eligible to participate in.</p> <p>The Deferred Compensation Plan is a nonqualified voluntary deferral program that allows the Executives to defer a portion of their base salary and annual cash incentive. Deferred amounts and earnings are unfunded.</p> <p>The Salary Continuation Plans are nonqualified, noncontributory plans that provide the Executives with retirement benefits.</p>	<p>Encourages retention of Executives for the balance of his/her career.</p> <p>Provides a tax-deferred retirement savings plan subject to IRS limitations on qualified plans. The 401(k) Plan is described in more detail on page 22 of this proxy statement.</p> <p>Provides a tax-deferred retirement savings alternative for amounts exceeding IRS limitations on qualified programs. The tax deferred compensation plan is described in more detail on page 23 of this proxy statement.</p> <p>The Salary Continuation Plans make available retirement benefits for the Executives commensurate with those available to comparable peer executive officers. The Salary Continuation Plans are described in more detail on page 23 of this proxy statement.</p>
Health and Welfare Benefits	Executives participate in employee benefit plans generally available to all employees, including medical, health, life insurance, disability plans, and vacation and personal absence time.	These benefits are part of a broad-based, competitive total compensation program.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

Additional Benefits and Perquisites

Active participation in business promotional activities on behalf of the Company.

Certain Executives are provided the use of Company owned autos to promote Company business in the Company's market area and for incidental personal use. Club memberships have been approved for certain Executives for future implementation to promote the Company business.

Change in Control and Termination Benefits

The change in control agreements provide severance benefits if an Executive's employment is terminated within two years after a change in control.

Change in control arrangements are designed to retain the Executives and provide continuity of management in the event of an actual or threatened change in control. The change in control agreements are described in more detail on page 24 of this proxy statement.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

The use of the above compensation elements enables the Company to reinforce its pay for performance philosophy, as well as strengthen the ability to attract and retain highly qualified executive officers. The Compensation Committee believes that this combination of the compensation elements provides an appropriate mix of fixed and variable pay, balances short-term operational performance with long-term shareholder value, and encourages recruitment and maximizes retention of the Executives.

Detail of Executive Compensation Elements

The Compensation Committee believes the total compensation and benefits program for the Executives should consist of the following: base salary, annual cash incentives, long-term incentives, retirement plans, health and welfare benefits, perquisite allowance payments and change in control benefits, as more fully described below.

Base Salary

Increases to base salaries, if any, are driven primarily by individual performance and comparative information from the Survey Data. Individual performance is evaluated by reviewing the Executive's success in achieving business results, promoting core values, focusing on the keys to business success and demonstrating leadership abilities.

In setting the base salary of the Executives for fiscal year 2008, the Compensation Committee reviewed the compensation Survey Data. The Compensation Committee also considered the Company's level of success in its short- and long-term goals to:

achieve specific profitability, growth and asset quality targets;

communicate strategy and financial results effectively; and

increase emphasis on employee satisfaction.

The Compensation Committee based its compensation decisions on the Company's performance related to the objectives listed above. The Compensation Committee does not rely solely on predetermined formulas or a limited set of criteria when it evaluates the performance of the Executives. The Compensation Committee reviews the Survey Data, general economic conditions and marketplace compensation trends. The Compensation Committee usually adjusts base salaries for Executives when:

the current compensation demonstrates a significant deviation from the market data;

recognizing outstanding individual performance; or

recognizing an increase in responsibility.

In line with the compensation philosophy outlined above, the Compensation Committee strives to reward the successful Company Executives with a total compensation package in which a majority of the incentive portion is based upon the variable portion of the compensation elements. The base salaries paid to the Executives during fiscal year 2008 are shown in the Summary Compensation Table on page 26.

Annual Cash Incentives

The annual cash incentives are administered under the Incentive Plan and provide Executives with the opportunity to earn cash incentives based on the achievement of specific Company-wide, division, and individual performance goals. The Compensation Committee designs the annual incentive component to align Executive compensation with annual (short-term) performance. Incentive payments are generally paid in cash in March of each year for the prior fiscal year's performance.

The Compensation Committee approves a target incentive payout as a percentage of the base salary earned during the incentive period for each Executive. These targets are based on competitive practices for each comparable position in the Survey Data. The incentive target percentage represents the Executive's annual incentive opportunity if the annual performance goals are achieved.

Messrs.	Taber	Derenzo	Tow	Bender	Standing	Byrne
Target Incentive Compensation (% of Base Salary)	60%	35%	35%	35%	30%	30%

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

The Incentive Plan establishes a set of financial metrics. These metrics are selected to drive annual performance. Each metric has a weight within the Incentive Plan, and the sum of the weights is 100%. In 2008, financial metrics comprised 90% to 94% and the leadership metrics comprised 6% to 10% of the target incentive. In March 2008, Mr. Standing retired from and resigned his position with the Company and forfeited any cash incentive due to him under the Annual Cash Incentive Plan.

Several financial metrics are commonly referenced in defining Company performance for Executive compensation. These metrics are defined below and their use in the Incentive Plan is further described below.

Profitability Measures

o Return on Average Assets and Return on Average Tangible Equity

Overall profitability is a key measure of the Company's performance. The use of Return on Average Assets (ROA) and Return on Average Tangible Equity (ROTE) as metrics in the Incentive Plan allows the Company to reward Executives for meeting targets related to actual net income earned each year. Both the ROA and ROTE are based on how well the Company performs based on net income as compared to assets (the ROA) and tangible equity (the ROTE). The ROA measures how well the Company deploys its assets and the ROTE measures how well the Company utilizes its capital.

o Earnings Per Share

To ensure compensation is proportional to the return on investment earned by shareholders, we use earnings per share (EPS) as a metric in the Incentive Plan. EPS is defined as net income divided by the average number of shares outstanding (including the potential dilutive effect if stock options outstanding were exercised) during the Incentive Plan year.

Growth Measures

o Core Deposit and Net Loan Growth

To ensure long-term growth of the Company, growth in both core deposits and net loans is essential. The Incentive Plan metrics for growth are based upon how well the Company grows in both core deposits and net loans on an annual basis. The Company defines core deposits as total deposits excluding time deposits, also known as certificates of deposit.

Credit Quality Measures

o Classified Loans to Equity

The Company believes that the quality of its loans is a key to the Company's overall future success. Poor loan quality will deteriorate the Company's future earning capacity. The classified to equity metric of the Incentive Plan measures the amount of classified or problem loans as a percentage of the Company's equity capital.

Leadership Measures

o Leadership/Teamwork

The Compensation Committee recognizes that one of the important responsibilities of each Executive is to produce a strong and positive working culture throughout the entire organization. The Executives must design and implement practices that encourage employees to perform at their best. A committed employee base is a key to the long-term success of the Company. Effective leadership from the Executives will lead to a higher performing Company. The leadership/teamwork metric is part of the Incentive Plan. The metric is subjective and is based on the visible accomplishments of the individual's actions. The Compensation Committee rates the leadership and teamwork success of the CEO, while the remaining Executives are rated by the CEO and recommended to the Compensation Committee.

Incentive Plan Weightings for 2008

The following chart indicates the weight of each metric as a percent of the total incentive opportunity.

Messrs.	Taber	Derenzo	Tow	Bender	Standing	Byrne
ROA, ROTE and EPS	54%	54%	54%	54%	58%	58%
Core Deposit and Net Loan Growth	30%	30%	30%	30%	27%	27%
Loan Quality	10%	10%	10%	10%	5%	5%
Leadership	6%	6%	6%	6%	10%	10%

The amount of incentive compensation paid to each Executive under the Incentive Plan is adjusted based on how well the Company performs against the stated performance goal of each metric, as reflected in the following table.

<i>Results Against Performance Goal:</i>	<i>Incentive Multiplied By:</i>
120%	110.0%
115%	107.5%
110%	105.0%
105%	102.5%
100%	100.0%
95%	90.0%
90%	80.0%
85%	70.0%
Less than 85%	0%

For example, if the Company achieves 105% of the growth performance goal, Mr. Taber would be entitled to 102.5% of the available incentive for the growth metric. If the Company achieves 90% of the growth goal Mr. Taber would be entitled to 80% of the available incentive for the growth metric. The Incentive Plan establishes minimum funding thresholds. If performance on any metric falls below 85%, no incentive will be paid for that metric.

In March 2009, the Board of Directors approved the weight of each metric as a percent of the total incentive opportunity for the 2009 fiscal plan year as follows:

Messrs.	Taber	Derenzo	Tow	Bender	Byrne
ROA, ROTE and EPS	60%	60%	60%	60%	60%
Core Deposit and Net Loan Growth	20%	20%	20%	20%	20%
Loan Quality	20%	20%	20%	20%	20%
Long-Term Incentives					

An important objective of the long-term incentive program is to strengthen the relationship between the long-term value of the Company's stock performance and the potential financial gain for employees. The long-term incentive component has historically been provided in the form of stock options that vest and become exercisable ratably over five years. The Compensation Committee has used stock options, rather than other forms of long-term incentives, because they create value for the Executives only if the shareholder value is increased through an increased stock price. The Compensation Committee believes that this creates strong alignment between the interests of the Executives and shareholders. The stock options help the Company attract and retain talented Executives.

Edgar Filing: AMERICAN RIVER BANKSHARES - Form PRE 14A

Stock options provide the Executives with the opportunity to purchase the Company's common stock at a price fixed on the grant date regardless of future market price. The Compensation Committee's objective is to provide Executives with awards that are consistent with the Survey Data and based on the Executive's individual performance. A stock option becomes valuable only if the Company's common stock price increases above the option exercise price and the holder of the option remains employed during the period required for the option to vest, which provides an incentive for the Executive to remain employed by the Company. In addition, stock options link a portion of the Executive compensation to shareholders' interests by providing an incentive to