AMERICAN RIVER HOLDINGS
Form DEF 14A
April 27, 2004

AMERICAN RIVER HOLDINGS

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
May 20, 2004

TO THE SHAREHOLDERS OF AMERICAN RIVER HOLDINGS:

NOTICE IS HEREBY GIVEN that, pursuant to the call of its Board of Directors, the Annual Meeting of Shareholders (the "Meeting") of American River Holdings (the "Company") will be held on Thursday, May 20, 2004 at 5:30 p.m., at the Capitol Mall Branch Office, located at 520 Capitol Mall, Suite 100, Sacramento, California 95814 for the purpose of considering and voting upon the following matters:

1. Election of Directors. To elect the following nominees of the Board of Directors as Class I Directors to serve until the 2007 Annual Meeting of Shareholders and until their successors are elected and qualified:

   Amador S. Bustos   Robert J. Fox   William A. Robotham

2. Amendment of Articles of Incorporation. To approve the amendment of the Company's Articles of Incorporation to change the name of the Company to American River Bankshares.

3. Ratification of Independent Public Accountants. To ratify the appointment of Perry-Smith LLP as independent public accountants for the 2004 fiscal year.

4. Other Business. To transact such other business as may properly come before the Meeting and any 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 April 8, 2004 as the record date for determination of shareholders entitled to notice of, and to vote at, the Meeting and any postponements or adjournments thereof.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ STEPHEN H. WAKS, ESQ.

Stephen H. Waks, Esq.
Corporate Secretary

Dated: April 27, 2004

Please sign and return the enclosed Proxy Card as promptly as possible and indicate if you will attend the meeting in person.

AMERICAN RIVER HOLDINGS
PROXY STATEMENT
FOR
ANNUAL MEETING OF SHAREHOLDERS
May 20, 2004

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of Proxies for use at the 2004 Annual Meeting of Shareholders (the "Meeting") of American River Holdings (the "Company") to be held on Thursday, May 20, 2004 at 5:30 p.m., at the Capitol Mall Branch Office, located at 520 Capitol Mall, Suite 100, Sacramento, California 95814 and at any and all postponements or adjournments thereof. Only shareholders of record on April 8, 2004 (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 4,212,981 shares of the Company's no par value common stock.

It is expected that this Proxy Statement and the accompanying Notice, Proxy Card, and Annual Report to Shareholders will be mailed on or about April 27, 2004 to shareholders eligible to receive notice of, and to vote at, the Meeting.

Revocability of Proxies

A Proxy Card 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 Card.

Unless otherwise directed in the accompanying Proxy Card, the shares represented by your executed Proxy will be voted "FOR" the nominees for election of directors named herein, "FOR" the ratification of Perry-Smith LLP as independent public accountants, and "FOR" the amendment to the Articles of Incorporation. If any other business is properly presented at the Meeting, 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 these Proxy materials 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.

Votes cast by Proxy or in person at the Meeting will be counted by the Inspectors of Election for the Meeting. The Inspectors 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.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of the Record Date, April 8, 2004, no individual known to the Company owned more than five percent (5%) of the outstanding shares of its common stock, except as described below.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of
Common Stock	Keefe Managers, LLC 375 Park Avenue, 23rd Floor New York, New York 10152	262,418	6.

(1) Percentage calculated based on 4,212,981 shares outstanding as of the Record Date.

The following table sets forth information as of April 8, 2004, concerning the equity ownership of the Company's directors, Class I Director nominees and the executive officers named in the Summary Compensation Table, and directors, Class I Director nominees and executive officers as a group. Unless otherwise indicated in the notes to the table, each director and executive officer listed below possesses sole voting power and sole investment power 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 table does not include former Directors, M. Edgar Deas, who resigned on December 31, 2003; Marjorie G. Taylor, who resigned (including her position as Corporate Secretary) on December 31, 2003; Larry L. Wasem, who resigned on December 31, 2003; and William L. Young, who resigned (including his position as President and Chief Executive Officer of American River Bank) on January 2, 2004. 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)
Amador S. Bustos	4,150	0.1%
Raymond F. Byrne	277 (5)	0.0%
Mitchell A. Derenzo	43,482 (6)	1.0%
Charles D. Fite	102,959 (7)	2.4%
Robert J. Fox (3)	10,000	0.2%
Sam J. Gallina	118,612 (8)	2.8%
Wayne C. Matthews, M.D. (4)	102,107 (9)	2.4%
William A. Robotham	58,930 (10)	1.4%
David T. Taber	114,911 (11)	2.7%
Roger J. Taylor, D.D.S.	97,894 (12)	2.3%
Douglas E. Tow	26,254 (13)	0.6%
Stephen H. Waks	48,761 (14)	1.2%
Michael A. Ziegler	2,474 (15)	0.1%
All directors, director nominees, and executive officers as a group (13 persons)	730,811 (16)	16.5%

(1) The address for all persons listed is c/o American River Holdings, 1545 River Park Drive, Suite 107, California, 95815.
(2) Includes shares of Common Stock subject to stock options exercisable within 60 days of the record date.
(3) Mr. Fox is a director nominee selected by the Nominating Committee to replace retiring Director, Doctor Matthews.
(4) Doctor Matthews will resign his position upon expiration of his term effective May 20, 2004.
(5) Includes 187 shares which Mr. Byrne has the right to acquire upon the

exercise of stock options within 60 days of the record date.

(6) Includes 26,296 shares which Mr. Derenzo has the right to acquire upon the exercise of stock options within 60 days of the record date.
(7) Includes 30,732 shares which Mr. Fite has the right to acquire upon the exercise of stock options within 60 days of the record date.
(8) Includes 582 shares which Mr. Gallina has the right to acquire upon the exercise of stock options within 60 days of the record date.
(9) Includes 582 shares which Doctor Matthews has the right to acquire upon the exercise of stock options within 60 days of the record date.
(10) Includes 25,899 shares which Mr. Robotham has the right to acquire upon the exercise of stock options within 60 days of the record date.
(11) Includes 56,732 shares which Mr. Taber has the right to acquire upon the exercise of stock options within 60 days of the record date.
(12) Includes 30,732 shares which Doctor Taylor has the right to acquire upon the exercise of stock options within 60 days of the record date.
(13) Includes 19,248 shares which Mr. Tow has the right to acquire upon the exercise of stock options within 60 days of the record date.
(14) Includes 18,673 shares which Mr. Waks has the right to acquire upon the exercise of stock options within 60 days of the record date.
(15) Includes 145 shares which Mr. Ziegler has the right to acquire upon the exercise of stock options within 60 days of the record date.
(16) Includes 209,808 stock options outstanding to purchase common stock exercisable within 60 days of the record date.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

NOMINEES

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 the Articles of Incorporation or by a Bylaw amending Section 3.2 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 range specified in the Articles of Incorporation (i) by a resolution duly adopted by the Board; (ii) by 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; or (iii) by approval of the shareholders. The exact number of directors was fixed at nine (9) at a regular meeting of the Board of Directors held January 21, 2004.

The Company has three groups of directors, each of whom is elected for a three-year term. Class I directors are nominated for election this year. Class II directors and Class III directors were elected to serve until 2005 and 2006, respectively, at the Annual Meetings of Shareholders on May 23, 2002, and May 22, 2003, respectively. If any nominee should become unable or unwilling to serve as a director, the proxies will be voted for such substitute nominee as shall be designated by the Board of Directors. The Board of Directors presently has no knowledge that any of the nominees will be unable or unwilling to serve.

The following persons are the nominees of the Board of Directors for election as Class I directors to serve for a three-year term until the 2007 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

Nominees for Election as Class I Directors:

Name and Title Other than Director	Principal Occupation During the Last Five Years
Amador S. Bustos	Chairman and Chief Executive Officer, Bustos Media Corporation (BMC) in Sacramento.
Robert J. Fox	Partner, S.J. Gallina & Co., LLP, Certified Public Accountants in Sacramento.
William A. Robotham	Executive Partner, Pisenti & Brinker LLP, Certified Public Accountants in Santa Rosa.

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Class II Directors, Continuing in Office:

Name and Title Other than Director	Principal Occupation During the Last Five Years
Sam J. Gallina	Retired Partner, S.J. Gallina & Co., Certified Public Accountants in Sacramento.
Roger J. Taylor, D.D.S. Vice-Chairman	Dentist (Retired) and National Executive Director Impax Health Prime and a real estate developer in Sacramento.
Michael A. Ziegler	President and Chief Executive Officer of PRIDE Industries in Sacramento.

Class III Directors, Continuing in Office:

Name and Title Other than Director	Principal Occupation During the Last Five Years
Charles D. Fite Chairman	President, Fite Development Company in Sacramento.
David T. Taber President and CEO	President and CEO, American River Holdings.
Stephen H. Waks Corporate Secretary	Attorney-at-Law; owner of Stephen H. Waks, Inc. in Sacramento.

None of the directors, nominees for Class I director listed above or executive officers(1) listed on page 7, were selected pursuant to any arrangement or understanding other than with the directors and executive officers of the Company acting within their capacities as such. There are no family relationships between any two or more of the directors, nominees for Class I director or executive officers. No director, nominee for Class I 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.

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.

Committees of the Board of Directors

The Audit Committee, whose members are Amador S. Bustos, Sam J. Gallina (Chairman), Wayne C. Matthews, M.D., and William A. Robotham, oversees the Company's and its subsidiaries' independent public accountants, analyzes the results of internal and regulatory examinations and monitors the financial and accounting organization and reporting. Director Gallina 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 2003. See the Audit Committee Report on page 18 for additional information regarding the functions of the Audit Committee. As reported on page 2 of this Proxy Statement, Doctor Matthews is retiring on May 20, 2004. It is anticipated that Director Nominee Fox will replace Doctor Matthews on the Audit Committee. Each member of the Audit Committee is "independent," as that term is defined under rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002, and by applicable Nasdaq Stock Market Rules. In addition, each other member of the Audit Committee is "financially literate" as defined under applicable Nasdaq Stock Market Rules.

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(1) As used in this Proxy Statement, the term "executive officer" of the Company includes the President and CEO of American River Holdings, the Executive Vice President and Chief Financial Officer of American River Holdings, the President of American River Bank, the Senior Vice President and Credit Administrator of American River Holdings, and the President of North Coast Bank.

During 2003, the full Board of Directors performed the functions of the Nominating Committee including considering appropriate candidates for election as directors. In January 2004, the Board of Directors delegated this function to a new committee named the Nominating Committee. The Nominating Committee, whose members are Charles D. Fite, Sam J. Gallina, Roger J. Taylor, D.D.S., and Stephen H. Waks, 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. All members of the Nominating Committee are "independent," as that term is defined under rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002, and applicable Nasdaq Stock Market 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 Holdings, 1545 River Park Drive, Suite 107 Sacramento, California 95815. 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 and its subsidiaries that may enhance the reputation of the Company and its subsidiaries. The Company and its subsidiaries operate in a highly regulated industry and are 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 and its subsidiaries 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 Appendix A. The Nominating Committee recommended the slate of Nominees for Election as Class I Directors.

The Compensation Committee, whose members include Charles D. Fite (Chairman), Sam J. Gallina, and Roger J. Taylor, D.D.S., oversees the performance and reviews the compensation of the executive officers of the Company and its subsidiaries. The Compensation Committee met seven (7) times during 2003. See the Compensation Committee Report on page 12 for additional information regarding the functions of the Compensation Committee. The Board has determined that all members of the Compensation Committee are "independent," as that term is defined by applicable Nasdaq Stock Market Rules. Stephen H. Waks joined the Compensation Committee effective March 17, 2004.

The Finance and Capital Committee, whose members include Wayne C. Matthews, M.D., William A. Robotham, Stephen H. Waks (Chairman), and Michael A. Ziegler, has the responsibility to oversee asset liability management and the investment portfolio including recommending to the full Board of Directors the annual investment strategy; and recommending to the full Board of Directors the annual operating budget for the Company and its subsidiaries; and reviewing premises leases for recommendation to the full Board of Directors. The Finance and Capital Committee met five (5) times during 2003. As reported on page 2 of this

Proxy Statement, Doctor Matthews is retiring on May 20, 2004.

The Executive Committee, whose members include Charles D. Fite (Chairman), Sam J. Gallina, David T. Taber, and Roger J. Taylor, D.D.S., 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 eleven (11) times during 2003. Stephen H. Waks joined the Executive Committee effective March 17, 2004.

Each of the subsidiary banks have Loan Committees that have 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. American River Bank's Loan Committee includes Charles D. Fite, Sam J. Gallina, Roger J. Taylor, D.D.S. (Chairman) and Stephen H. Waks. American River Bank's Loan Committee met thirty-eight (38) times during 2003. North Coast Bank's Loan Committee includes Leo J. Becnel, O.D., M. Edgar Deas, Larry L. Wasem (Chairman), and Philip A. Wright. North Coast Bank's Loan Committee met thirty-three (33) times during 2003. Effective January 1, 2004, North Coast Bank became a division of American River Bank and at that time the role of the Loan Committee transferred to American River Bank; Mr. Wright also joined the American River Bank Loan Committee.

During 2003, the Company's Board of Directors held twelve (12) regular meetings and two (2) special meetings. In addition, the Company's Board of Directors two (2) "executive sessions" which only the non-employee directors attended, each of whom is "independent" as defined under rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002, and applicable Nasdaq Stock Market 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.

A majority of the members of the Board of Directors, each of whom is "independent" as defined under applicable rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002, and applicable Nasdaq Stock Market 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 Holdings, 1545 River Park Drive, Suite 107 Sacramento, California 95815.

The Company encourages members of its Board of Directors to attend the Company's annual meeting of shareholders each year. All of the directors attended the Company's annual meeting of shareholders held in 2003, except for Directors Deas and Wasem.

Compensation of Directors

The fees paid to non-employee directors of American River Holdings during 2003 included a retainer of $250 per month, a base fee of $250 per month for attendance at board meetings, and a fee of $150 per month for attendance at committee meetings, other than the Directors Loan Committee of American River Bank whose outside director members received a fee of $250 for each meeting attended and the Directors Loan Committee of North Coast Bank whose outside director members received a fee of $100 for each meeting attended. Outside director members of the Executive Committee received an additional retainer fee of $150 per month. In addition to the fees received as non-employee directors in connection with the meetings and matters described above, the Chairman of the

Board of Directors also received a retainer fee of $250 per month, and the Chairman of the Audit Committee and the Chairman of American River Bank's Directors Loan Committee also received a retainer fee of $150 per month. The Chairman of North Coast Bank's Directors Loan Committee also received a retainer fee of $100 per month and the Chairman of the Finance and Capital Committee also received a retainer fee of $50 per month. In 2003, the total amount of fees paid by American River Holdings to all directors as a group was $77,900. In addition, certain directors of American River Holdings also serve as directors and/or committee members for the subsidiaries. In 2003, the total amount of fees paid by the subsidiaries to directors of American River Holdings (in their capacities as directors and/or committee members for the subsidiaries) as a group was $60,200.

On August 25, 1995, the Board of Directors authorized the grant to each outside director of a nonstatutory stock option to purchase 10,000 shares of American River Holdings common stock at $10.50 per share (converted to 30,150 shares at $3.483 as adjusted for stock splits and stock dividends). On March 19, 2003, Directors Deas, Fite, Gallina, Dr. Matthews, M. Taylor, Dr. R. Taylor,

Waks, and Wasem were granted a nonstatutory stock option to purchase 1,940 shares of American River Holdings common stock at $22.34 per share (converted to 2,910 shares at $14.893 as adjusted for a stock split). On May 21, 2003, Director Ziegler was granted a nonstatutory stock option to purchase 485 shares of American River Holdings common stock at $24.22 per share (converted to 727 shares at $16.144 as adjusted for a stock split). The options for Directors Deas, M. Taylor, and Wasem expired upon their resignations as directors. See resignation discussion on page 2.

On June 18, 1997, the Board of Directors approved a Gross-Up Plan (the "Plan") to compensate for the tax effects of the exercise of nonstatutory stock options. The Plan named Directors Fite, Gallina, Dr. Matthews, M. Taylor, Dr. R. Taylor, and Waks as participants and applies only to those options granted on August 25, 1995. The Plan also named as a participant, James O. Burpo, who was a director at the time. Mr. Burpo retired from the Company's Board of Directors on September 18, 2002; however, he remained on American River Bank's Board of Directors until May 21, 2003. The Plan encourages participating optionees to retain shares acquired through the exercise of nonstatutory stock options by American River Holdings paying to the participating optionee an amount equal to the taxable income resulting from an exercise of a nonstatutory stock option multiplied by American River Holdings' effective tax rate, subject to the optionee's agreement to hold the shares acquired for a minimum of one (1) year. In the event that the shares acquired upon exercise are not held for at least one year from the date of acquisition, the optionee is required to reimburse the amount paid to the optionee under the Plan. During 2003, former Director Burpo executed an agreement in return for payment of $56,278.80.

Effective December 20, 2001, a Deferred Fee Plan was established for the purpose of providing the directors an opportunity to defer director fees. Participating directors may elect to defer a portion, up to 100%, of their monthly director fees. American River Holdings 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, otherwise, make contributions to the Plan. During 2003, two directors participated in the Plan and deferred $15,000.

In January 2003, the Board of Directors approved a Directors Retirement Plan (the "Retirement Plan") whereby each director, upon full retirement from the Company's or an affiliate's Board of Directors, is entitled 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. The Retirement Plan 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 2003, former Director Burpo participated in this Retirement Plan and received payments totaling $5,040.

EXECUTIVE OFFICERS

The executive officers of the Company during 2003 included David T. Taber, President and Chief Executive Officer of American River Holdings, about whom information is provided on page 4, William L. Young, President and Chief Executive Officer of American River Bank, who resigned effective January 2, 2004, and the following persons:

Name	Age	Officer Since	Principal Occupation During the Past Five Years
Mitchell A. Derenzo	42	1992	Executive Vice President and Chief Financial Officer of American River Holdings since 1995. Chief Financial Officer of American River Bank since 1992.
Raymond F. Byrne	56	2000	President of North Coast Bank, a division of American River Bank, since 2002. Senior Vice President and Senior Lender of North Coast Bank 2000 to 2003. Vice President and Manager of Bank of the West 2000 to 2001. Vice President and General Manager of Discovery Office Systems 1991 to 1999.
Douglas E. Tow	50	1994	Senior Vice President and Credit Administrator of American River Holdings since 2003. Senior Vice President and Credit Administrator of American River Bank since 1994.

Executive Compensation

Set forth below is the summary compensation paid during the three years ended December 31, 2003 to David T. Taber, Mitchell A. Derenzo, William L. Young, Raymond F. Byrne, and Douglas E. Tow, the only executive officers of the Company and its subsidiaries.

Summary Compensation Table

					Long-Term C	
		Annual Compensation			Awards	
(a)	(b)	(c)	(d)	(e)	(f)	(
Name and	Year	Salary	Bonus	Other Annual	Restricted	Secur

Principal Position		($) (1)	($) (2)	Compensation ($) (3)	Stock Award(s) ($)	Under Option (#)
David T. Taber, President and 5	2003	$200,000	$ 137,617	--	--	6,
Chief Executive Officer	2002	175,000	44,688	--	--	
	2001	175,000	194,026	--	--	
Mitchell A. Derenzo,	2003	125,000	41,568	--	--	3,
Executive Vice President and	2002	105,124	18,387	--	--	
Chief Financial Officer	2001	102,833	22,617	--	--	
William L. Young, President and	2003	150,000	102,082	--	--	3,
Chief Executive Officer,	2002	150,000	28,239	--	--	
American River Bank (6)	2001	150,000	160,345	--	--	
Raymond F. Byrne, President and	2003	107,525	2,000	--	--	
Chief Executive Officer, North	2002	105,892	2,286	--	--	
Coast Bank	2001	105,949	20,611	--	--	
Douglas E. Tow, Senior Vice	2003	113,000	44,389	--	--	3,
President and Credit	2002	100,650	15,982	--	--	
Administrator	2001	98,457	21,656	--	--	

(1) Amounts shown include cash compensation earned and received by executive officers as well as amounts earned but deferred at the election of those officers under the 401(k) Plan and the Deferred Compensation Plan.

(2) Amounts indicated as bonus payments are listed in the year paid. The amounts listed as paid in 2003 were all earned in 2002. Additional amounts accrued in 2003 and paid in 2004 were $133,333 to Mr. Taber; $41,417 to Mr. Derenzo; $100,000 to Mr. Young, $17,148 to Mr. Byrne, and $35,880 to Mr. Tow.

(3) No executive officer received perquisites or other personal benefits in excess of the lesser of $50,000 or 10% of each such officer's total annual salary and bonus during 2003, 2002, and 2001.

(4) Represents the number of shares granted in the year indicated, as adjusted for stock splits and stock dividends. The Company had a 1995 Stock Option Plan (the "1995 Plan") pursuant to which options could be granted to directors and key, full-time salaried officers and employees of the Company and its subsidiaries. The 1995 Plan was replaced with the Company's 2000 Stock Option Plan (the "2000 Plan"). Options granted under the 1995 Plan were either incentive options or nonstatutory options. Options granted under the 1995 Plan became exercisable in accordance with a vesting schedule established at the time of grant. Vesting could not extend beyond ten years from the date of grant. Upon a change in control of the Company, all outstanding options under the 1995 Plan will become fully vested and exercisable. Options granted under the 1995 Plan are adjusted to protect against dilution in the event of certain changes in the Company's capitalization, including stock splits and stock dividends. The 2000 Plan is substantially similar to the 1995 Plan regarding provisions related to option grants, vesting, and dilution. All options granted to the named executive officers have an exercise price equal to the fair market value of the common stock on the date of grant.

(5) Amounts shown for each named executive officer include 401(k) matching contributions, the use of an automobile owned by the Company, earned but unpaid interest on amounts deferred under the Company's Deferred Compensation Plan, excess life insurance premiums paid by the Company, and amounts accrued pursuant to post-retirement agreements as described below.

(6) Mr. Young retired effective January 2, 2004.

Stock Options

The following table describes stock options that were granted pursuant to the Company's 2000 Stock Option Plan (the "2000 Stock Option Plan") to the Company's executive officers in the fiscal year ended December 31, 2003. The 2000 Stock Option Plan was approved by shareholders on September 21, 2000. All of the grants were made on March 19, 2003, based on achievement of 2002 corporate and personal performance objectives.

Option/SAR Grants in Last Fiscal Year

Name	Number of Securities Underlying Options/SARs Granted (#) (1)	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date
David T. Taber	6,750	18%	$14.89333	3/19/2013
Mitchell A. Derenzo	3,225	8%	14.89333	3/19/2013
William L. Young (3)	3,300	9%	14.89333	3/19/2013
Raymond F. Byrne	937	2%	14.89333	3/19/2013
Douglas E. Tow	3,225	8%	14.89333	3/19/2013

(1) All options are incentive stock options, which vest ratably over a five-year period commencing one year after the grant date. All options have an exercise price equal to the market value on the date of grant. The number of shares granted and the option price have been adjusted to reflect the 3 for 2 stock split distributed on October 31, 2003. The terms of all of the Company's stock option plans provide that options may become exercisable in full in the event of a change of control as defined in the 2000 Stock Option Plan.

(2) The Black-Scholes option-pricing model is used to determine grant date present value. To derive the per share option value of $3.50, the assumptions used include a risk-free rate equal to the seven-year interpolated treasury yield of 3.52%, volatility of 19.6%, and a seven-year maturity.

(3) Mr. Young retired effective January 2, 2004, thereby terminating the options granted to him listed in the table above.

The following table sets forth the number of shares of common stock acquired by each of the named executive officers upon the exercise of stock options during fiscal year 2003, the net value realized upon exercise, the number of shares of common stock represented by outstanding stock options held by each of the named executive officers as of December 31, 2003, the value of such options based on the closing price of the Company's common stock, and certain information concerning unexercised options under the 1995 and 2000 Stock Option Plans.

Aggregated Option/SAR Exercises In Last Fiscal Year And FY-End Option/SAR Values

Name (a)	Shares Acquired on Exercise (#) (b)	Value Realized ($) (c)	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year- End (#) Exercisable/ Unexercisable (d)	U i O at Fis E Un
David T. Taber	--	$ --	75,382 / 6,750	$ 1,267,75
Mitchell A. Derenzo	4,500	$ 57,889	25,651 / 3,225	$ 363,36
William L. Young	43,270	$ 715,155	32,122 / 3,300	$ 540,21
Raymond F. Byrne	--	$ --	-- / 937	$ -
Douglas E. Tow	2,524	$ 50,886	19,803 / 3,225	$ 250,26

(1) The aggregate value has been determined based upon the closing price for the Company's common stock at year-end, minus the exercise price.

Employment Contracts and Termination of Employment and Change in Control Arrangements

In August 2003, the Company entered into an employment agreement with David T. Taber and its subsidiary, American River Bank, entered into an employment agreement with William L. Young. The agreements provide for an original term of two years subject to automatic extensions of two years following expiration of the original term and one-year extensions thereafter unless terminated in accordance with the terms of the agreements. The agreements provide for a base salary which is disclosed in the Summary Compensation Table on page 8. The base salary under each agreement is reviewed annually and is subject to adjustment at the discretion of the Board of Directors. Additionally, the agreements provide for, among other things (i) an annual incentive bonus based upon the Company's achievement of certain profitability, growth and asset quality standards as set forth in the agreements; (ii) in the event of disability, payment of base salary reduced by the amounts received from state disability insurance or workers' compensation or other similar insurance benefits through policies provided by the Company and/or American River Bank; (iii) stock option grants in the discretion of the Board of Directors under the Company's stock option plan; (iv) four weeks annual paid vacation leave; (v) use of an automobile; and (vi) reimbursement for ordinary and necessary expenses incurred in connection with employment.

The agreements may be terminated with or without cause, but if the agreements are terminated without cause due to the occurrence of circumstances that make it impossible or impractical for the Company and/or American River Bank to conduct or continue its business, the loss by the Company and/or American River Bank of its legal capacity to contract or the Company and/or American River Bank's breach of the terms of the agreement, the employee is entitled to receive severance compensation equal to six months of the existing base salary plus any incentive bonus due. The agreements further provide that in the event of a "change in control" as defined therein and within a period of two years following consummation of such change in control (i) the employee's employment is terminated; or (ii) any adverse change occurs in the nature and scope of the employee's salary or benefits; or (iii) any event occurs which reasonably constitutes a constructive termination of employment, by resignation or otherwise, then the employee will be entitled to receive severance compensation in an amount equal to eighteen (18) months of the employee's annual base salary, less applicable withholding deductions (in addition to salary, incentive compensation, or other payments, if any, due the employee). Mr. Young's employment agreement terminated upon his retirement on January 2, 2004.

On March 18, 1998, American River Bank adopted the American River Bank Employee Severance Policy. The Policy allows for certain named employees to receive severance payments equal to six times their monthly base pay should these named employees be terminated within one year of a "change in control." The Board of Directors has designated executive officers, Mitchell A. Derenzo and Douglas E. Tow, to be covered under the Policy.

Recognizing the importance of building and retaining a competent management team, additional agreements were entered into to provide post-retirement benefits to Messrs. Taber, Derenzo, Young and Tow. The terms of the agreements include the amounts each employee will receive upon the occurrence of certain specified events, including formal retirement on or after a specified age. The agreements generally provide for annual retirement benefit payments of One Hundred Thousand Dollars ($100,000) to Mr. Taber and Fifty Thousand Dollars ($50,000) each to Mr. Derenzo, Mr. Young and Mr. Tow. The annual retirement benefit amount is payable in equal monthly installments over a fifteen (15) year period. In the event of an employee's death, all remaining amounts due are anticipated to be paid to the employee's designated beneficiary over the remaining payout period. Other events which may alter when payment of the annual retirement benefit is to begin, or the amount which is to be paid, include: (a) disability prior to retirement in which case the employee shall be entitled to a lesser benefit payment amount based upon the length of employment; and (b) termination following a "change of control," in which case the employee is entitled to receive the annual benefit payment in equal monthly installments for fifteen (15) years beginning in the month following the termination or "change of control" equal to Sixty-Four Thousand Nine Hundred and Seventy Dollars ($64,970) for Mr. Taber and Thirty-Two Thousand Four Hundred and Eighty-Five Dollars ($32,485) each for Mr. Derenzo, Mr. Young and Mr. Tow.

The Company purchased insurance policies on the lives of Messrs. Taber, Derenzo, Young and Tow, paying the premiums for these insurance policies with a lump-sum premium payment of approximately $1,614,000.

Other Compensation Arrangements

Effective May 1, 1998, the American River Bank Deferred Compensation Plan was established for the purpose of providing certain highly compensated individuals, which includes the executive officers, an opportunity to defer compensation. Participants, who are selected by a committee designated by the Board of Directors, may elect to defer annually a minimum of $5,000 or a maximum of eighty percent of their base salary and all of their cash bonus. American River Bank bears all administration costs, but does not make contributions to the plan. Effective December 20, 2000, the Deferred Compensation Plan was renamed the American River Holdings Deferred Compensation Plan and beginning January 1, 2001, the Company now bears the administration costs for participants that are employed by the Company and each subsidiary bears the costs for participants that are employed by the subsidiary.

EQUITY COMPENSATION PLAN INFORMATION

The chart below summarizes share information about American River Holdings' equity compensation plans including the 1995 Stock Option Plan and the 2000 Stock Option Plan as of December 31, 2003. Both of these plans have been approved by the Company's shareholders. The Company has no other equity compensation plan and there are no warrants or other rights outstanding that would result in the issuance of shares of the Company's common stock.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of sec available fo under equi plans (excl reflected
Equity compensation plans approved by security holders	549,349 (1)	$6.39	4
Equity compensation plans not approved by security holders	-0-	-0-	
Total	549,349	$6.39	4

(1) Shares reserved but unissued shall remain available for grant during any subsequent calendar year. Awards that expire or are cancelled, forfeited or terminated before being exercised shall again become available for future awards under the Plan.

BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The compensation of the executive officers of American River Holdings and its subsidiaries is reviewed and approved annually by the Board of Directors on recommendation by the Compensation Committee. During 2003, Charles D. Fite (Chairman), Sam J. Gallina and Roger J. Taylor, D.D.S., served as members of the Compensation Committee. Each such member of the Committee is "independent" as defined under applicable rules promulgated by the Securities and Exchange Commission pursuant to the Sarbanes-Oxley Act of 2002, and applicable Nasdaq Stock Market Rules. Mr. Taber was not present during the Compensation Committee voting or deliberations regarding his compensation as required by applicable Nasdaq Stock Market Rules. David T. Taber, Mitchell A. Derenzo, William L. Young, Raymond F. Byrne, and Douglas E. Tow, served as executive officers of American River Holdings and/or its subsidiaries during 2003 in the capacities reflected in the Summary Compensation Table.

The Compensation Committee's philosophy is that compensation should be designed to reflect the value created for shareholders while supporting American River Holdings' strategic goals. The Compensation Committee reviews annually the compensation of the executive officers to insure that American River Holdings' compensation programs are related to financial performance and consistent generally with employers of comparable size in the industry. Annual compensation for American River Holdings' executive officers includes the following components:

1) Base salary is related to the individual executive officer's level of responsibility and comparison with comparable employers in the industry.

2) Executive officers are eligible to participate in the American River Holdings Incentive Compensation Plan (the "Incentive Plan"). The Incentive Plan outlines minimum financial performance standards which include performance, growth, efficiency and asset quality minimums which must be achieved prior to any payout. If the performance standards are met, the pool amount available for payment to all employees of the Company is set at a predetermined rate by the Compensation Committee. The incentive pool for 2003 was set at 18% of net income prior to incentive accruals and adjusted for taxes. The actual amounts accrued in 2003 to be paid in 2004 represented 18% of net income prior to incentive accruals and adjusted for taxes. The incentive pool also includes 401(k) matching funds.

3) Stock option grants are intended to increase the executive officers' interest in American River Holdings' long-term success and link interests of the executive officer with those of shareholders as measured by American River Holdings' share price. Stock options are granted at the discretion of the Board of Directors and at the prevailing market value of American River Holdings common stock. Consequently, the value of the options is directly connected to the increase in value of American River Holdings' stock price. See the Summary Compensation Table and Option/SAR Exercise Table, and notes thereto for a further description of stocks options.

4) American River Holdings matches salary deferred by employees participating in its 401(k) Plan at a rate equal to 50% of the participant's contribution up to a maximum of 6% of such participant's annual compensation. Executive officers are eligible to participate in the 401(k) plan. See the Summary Compensation Table for further 401(k) plan information.

/s/ CHARLES D. FITE	/s/ SAM J. GALLINA	/s/ ROGER J. TAYLOR, D.D.S.
Charles D. Fite	Sam J. Gallina	Roger J. Taylor, D.D.S.

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COMPARISON OF AMERICAN RIVER HOLDINGS SHAREHOLDERS RETURN

Set forth below is a line graph comparing the annual percentage change in the cumulative total return on American River Holdings common stock with the cumulative total return of the SNL Securities Index of National Peer Banks (asset size of less than $500 million), NASDAQ--Total U.S., and the S&P 500 Index as of the end of each of American River Holdings' last five fiscal years.

The following table assumes that $100.00 was invested on December 31, 1998 in American River Holdings common stock and each index, and that all dividends were reinvested. Returns have been adjusted for any stock dividends and stock splits declared by American River Holdings. Shareholder returns over the indicated period should not be considered indicative of future shareholder returns.

AMERICAN RIVER HOLDINGS

Total Return Performance

[GRAPHIC OMITTED]

Index	Period Ending 12/31/98	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03
American River Holdings	100.00	90.67	91.95	112.23	180.05	236.00
S&P 500	100.00	121.11	110.34	97.32	75.75	97.51
NASDAQ--Total US	100.00	185.95	113.19	89.65	61.67	92.90
SNL						