

COLUMBIA BANKING SYSTEM INC  
Form DEF 14A  
March 22, 2010  
Table of Contents

## SCHEDULE 14A INFORMATION

### Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

## COLUMBIA BANKING SYSTEM, INC.

(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):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 12a(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:

Edgar Filing: COLUMBIA BANKING SYSTEM INC - Form DEF 14A

(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:

.. Fee paid previously with preliminary materials.

.. 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:



**Table of Contents**

**1301 A Street**

**Tacoma, Washington 98402**

March 22, 2010

Dear Shareholder:

We are pleased to invite you to Columbia Banking System's Annual Meeting of Shareholders. The meeting will be at 1:00 p.m. on Wednesday, April 28, 2010 at the William W. Philip Hall at the University of Washington Tacoma, 1900 Commerce Street, Tacoma, Washington 98402.

At the meeting, you and the other shareholders will be asked to approve the election of nine directors to the Columbia Board. You will also be asked to consider an advisory resolution on executive compensation, and to ratify the appointment of our independent registered public accounting firm for the 2010 fiscal year.

You also will have the opportunity to hear what has happened in our business and our industry in the past year and to ask questions. You will find additional information concerning Columbia and its operations, including its audited financial statements, in the enclosed Annual Report for the year ended December 31, 2009.

We hope that you can join us on April 28<sup>th</sup>. **Whether or not you plan to attend, please sign and return your proxy card as soon as possible.** Your opinion and your vote are important to us. Voting by proxy will not prevent you from voting in person if you attend the meeting, but it will ensure that your vote is counted if you are unable to attend.

William T. Weyerhaeuser

Chairman

Melanie J. Dressel

President and CEO

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD APRIL 28, 2010**

TIME	1:00 p.m. on Wednesday, April 28, 2010
PLACE	William W. Philip Hall at the University of Washington Tacoma, 1900 Commerce Street, Tacoma, Washington
ITEMS OF BUSINESS	<ol style="list-style-type: none"><li>(1) To elect nine directors to serve on the Board until the 2011 Annual Meeting of Shareholders.</li><li>(2) To consider and approve an advisory (non-binding) resolution on Columbia's executive compensation.</li><li>(3) To ratify the appointment of Deloitte &amp; Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.</li><li>(4) To transact such other business as may properly come before the meeting or any adjournment thereof.</li></ol>
RECORD DATE	You are entitled to vote at the annual meeting and at any adjournments or postponements thereof if you were a shareholder at the close of business on Monday, March 1, 2010.
VOTING BY PROXY	Please submit your proxy card as soon as possible so that your shares can be voted at the annual meeting in accordance with your instructions. For specific instructions on voting, please refer to the instructions in the proxy statement and on your enclosed proxy form.

By Order of the Board

Cathleen L. Dent

Secretary

*This proxy statement and the accompanying proxy card are being distributed on or about March 22, 2010*

**Table of Contents****TABLE OF CONTENTS**

	<u>Page</u>
<u>INFORMATION ABOUT THE MEETING</u>	1
<u>Annual Meeting Information</u>	1
<u>Adoption of Majority Vote Standard in Uncontested Director Elections</u>	1
<u>GENERAL INFORMATION</u>	2
<u>Why am I receiving this proxy statement and proxy card?</u>	2
<u>Who is soliciting my proxy and who is paying the cost of solicitation?</u>	2
<u>What am I voting on?</u>	2
<u>Who is entitled to vote?</u>	2
<u>How do I vote?</u>	2
<u>Can I change my vote after I return my proxy card?</u>	3
<u>What are the Board's recommendations?</u>	3
<u>Will my shares be voted if I do not sign and return my proxy card?</u>	3
<u>How many votes are needed to hold the Annual Meeting?</u>	4
<u>What vote is required to elect directors?</u>	4
<u>What vote is required to approve the advisory resolution on executive compensation?</u>	4
<u>What vote is required to ratify the appointment of the independent registered public accountants?</u>	4
<u>Can I vote on other matters?</u>	4
<u>When are proposals for the 2011 Annual Meeting due?</u>	4
<u>How do I nominate someone to be a director?</u>	5
<u>STOCK OWNERSHIP</u>	6
<u>Are there any owners of more than 5% of Columbia's stock?</u>	6
<u>How much stock do Columbia's directors and executive officers own?</u>	7
<u>INFORMATION ABOUT THE DIRECTORS AND NOMINEES</u>	9
<u>How many directors are nominated?</u>	9
<u>What is the retirement age for directors?</u>	9
<u>What happens if a nominee refuses or is unable to stand for election?</u>	9
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	10
<u>CORPORATE GOVERNANCE</u>	13
<u>Guidelines</u>	13
<u>Board Leadership Structure</u>	13
<u>Director Qualifications</u>	13
<u>Code of Ethics and Corporate Governance Documents</u>	13
<u>Director Independence</u>	14
<u>Shareholder Communications with the Board of Directors</u>	14
<u>BOARD STRUCTURE AND COMPENSATION</u>	15
<u>How often did the Board of Directors meet during 2009?</u>	15
<u>What committees has the Board established?</u>	15
<u>How does the Board exercise its authority for risk oversight?</u>	16
<u>Director Compensation</u>	17
<u>EXECUTIVE COMPENSATION</u>	22
<u>Compensation Discussion &amp; Analysis</u>	22
<u>Compensation Tables</u>	30
<u>Equity Compensation</u>	31
<u>Post Employment and Termination Benefits</u>	33
<u>Other Employee Benefits</u>	38

**Table of Contents**

	<b><u>Page</u></b>
<b><u>MANAGEMENT</u></b>	39
<u>Executive Officers who are not Directors</u>	39
<b><u>PROPOSAL NO. 2 ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION</u></b>	40
<u>Vote Required and Board Recommendation</u>	40
<b><u>PROPOSAL NO. 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	41
<b><u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u></b>	42
<b><u>INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS</u></b>	42
<b><u>INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	42
<u>Fees Paid to Independent Registered Public Accounting Firm</u>	42
<u>Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors</u>	43
<b><u>AUDIT COMMITTEE REPORT</u></b>	44
<b><u>ANNUAL REPORT TO SHAREHOLDERS AND FORM 10-K</u></b>	45
<u>Delivery of Documents to Shareholders Sharing an Address</u>	45

**Table of Contents**

**COLUMBIA BANKING SYSTEM, INC.**

**1301 A Street**

**Tacoma, Washington 98402-4200**

**(253) 305-1900**

**PROXY STATEMENT**

***Important Notice Regarding the Availability of Proxy Materials for the 2010 Shareholder Meeting:***

**A copy of this Proxy Statement and the Annual Report to Shareholders for the year ended December 31, 2009 are available at [www.columbiabank.com](http://www.columbiabank.com).**

The Board of Directors is soliciting proxies for this year's Annual Meeting of Shareholders. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully.

**INFORMATION ABOUT THE MEETING**

***Annual Meeting Information***

The Board set March 1, 2010 as the record date for the meeting (the Record Date). Shareholders who owned Columbia common stock on that date are entitled to vote at the meeting, with each share entitled to one vote. There were 28,233,727 shares of Columbia common stock outstanding on the Record Date.

In this proxy statement, the terms we, us or our refer to Columbia Banking System, Inc.

Voting materials, which include this proxy statement and a proxy card together with the 2009 Annual Report, are being mailed to shareholders on or about March 22, 2010.

***Adoption of Majority Vote Standard in Uncontested Director Elections***

On January 27, 2010, the Board of Directors adopted an amendment to Columbia's Bylaws to add majority voting procedures for the election of directors in uncontested elections. The effect of this amendment is to require that in an uncontested election, nominees must receive more for than against votes to be elected. The term of any director who does not receive a majority of votes cast in an election held under that standard terminates on the earliest to occur of: (i) 90 days after the date election results are certified; (ii) the date the director resigns; or (iii) the date the board of directors fills the position. The bylaw amendment provides that an election is considered contested, and will be held under a plurality standard, if there are shareholder nominees for director pursuant to the advance notice provision in Section 1.17 of our Bylaws who are not withdrawn by the advance notice deadline set forth in that section.



## **Table of Contents**

### **GENERAL INFORMATION**

#### ***Why am I receiving this proxy statement and proxy card?***

You are receiving this proxy statement and proxy card because you own shares of Columbia common stock. This proxy statement describes issues on which we would like you to vote.

When you sign the proxy card you appoint William T. Weyerhaeuser and Melanie J. Dressel as your representatives at the meeting. Mr. Weyerhaeuser and Ms. Dressel will vote your shares at the meeting as you have instructed on the proxy card. This way, your shares will be voted even if you cannot attend the meeting.

#### ***Who is soliciting my proxy and who is paying the cost of solicitation?***

Our Board of Directors is sending you this proxy statement in connection with its solicitation of proxies for use at the 2010 Annual Meeting. Certain directors, officers and employees of Columbia and its banking subsidiary, Columbia State Bank, may solicit proxies by mail, telephone, facsimile, or in person.

We will pay for the costs of solicitation. We do not expect to pay any compensation for the solicitation of proxies, except to brokers, nominees and similar record holders for reasonable expenses in mailing proxy materials to beneficial owners of our common stock. However, management may, if it determines it necessary to obtain the requisite shareholder vote, retain the services of a proxy solicitation firm.

#### ***What am I voting on?***

At the Annual Meeting you will be asked to vote on:

the election of nine directors to serve on the Board until the 2011 Annual Meeting of Shareholders or until their successors have been elected and have qualified;

the approval of an advisory (non-binding) resolution on Columbia's executive compensation; and

ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending 2010.

#### ***Who is entitled to vote?***

Only shareholders who owned Columbia common stock as of the close of business on the Record Date are entitled to receive notice of the Annual Meeting and to vote the shares that they held on that date at the meeting, or any postponement or adjournment of the meeting.

#### ***How do I vote?***

You may vote your shares either in person at the Annual Meeting or by proxy. To vote by proxy, you should mark, date, sign and mail the enclosed proxy card in the prepaid envelope provided. If your shares are registered in your own name and you attend the meeting, you may deliver your completed proxy card in person. Street name shareholders, that is, those shareholders whose shares are held in the name of and through a broker or nominee, who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

*Internet voting.* You may also transmit a proxy to vote your shares by means of the Internet. The Internet voting procedures below are designed to authenticate your identity, to allow you to grant a proxy to vote your shares, and to confirm that your instructions have been recorded properly.



## **Table of Contents**

*For shares registered in your name.* As a shareholder of record, you may go to <http://www.proxyvote.com> to transmit a proxy to vote your shares by means of the Internet. You will be required to provide our number and the control number, both of which are contained on your proxy card. You will then be asked to complete an electronic proxy card. The votes represented by such proxy will be generated on the computer screen, and you will be prompted to submit or revise them as desired.

*For shares registered in the name of a broker or bank.* Most beneficial owners, whose stock is held in *street name* receive instructions for granting proxies from their banks, brokers or other agents, rather than a proxy card. If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in *street name*, and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker on how to vote. Your broker or nominee has enclosed a voting instruction card for you to use in directing your broker or nominee as to how to vote your shares.

A number of brokers and banks are participating in a program provided through Broadridge Financial Solutions Inc. that offers the means to grant proxies to vote shares over the telephone and Internet. If your shares are held in an account with a broker or bank participating in the Broadridge program, you may grant a proxy to vote those shares by calling the telephone number shown on the instruction form received from your broker or bank.

*General information for all shares voted via the Internet.* We must receive votes submitted via the Internet by 11:59 p.m. on April 27, 2010. Submitting your proxy via the Internet will not affect your right to vote in person should you decide to attend the annual meeting.

### ***Can I change my vote after I return my proxy card?***

Yes. You may revoke your proxy and change your vote at any time before the proxy is exercised by filing with Columbia's Secretary either a notice of revocation or another signed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not by itself revoke a previously granted proxy.

### ***What are the Board's recommendations?***

Unless you give other instructions on your proxy card, Mr. Weyerhaeuser and Ms. Dressel, as the persons named as proxy holders on the proxy card, will vote as recommended by the Board of Directors. The Board recommends a vote FOR the election of the nominated directors listed in this proxy statement, FOR the approval of the advisory (non-binding) resolution on executive compensation, and FOR the ratification of the independent registered public accounting firm for the fiscal year 2010.

If any other matters are considered at the meeting, Mr. Weyerhaeuser and Ms. Dressel will vote as recommended by the Board of Directors. If the Board does not give a recommendation, Mr. Weyerhaeuser and Ms. Dressel will have discretion to vote as they think best.

### ***Will my shares be voted if I do not sign and return my proxy card?***

If your shares are registered in your name and you do not return your signed proxy card or do not vote in person at the Annual Meeting, your shares will not be voted.

If your shares are held in *street name* and you do not submit voting instructions to your broker, *your broker may vote your shares at this meeting on the ratification of the appointment of the independent registered public accounting firm only.* If no instructions are given with respect to the election of directors or approval of the advisory (non-binding) resolution on executive compensation, *your broker cannot vote your shares on these proposals.*

## **Table of Contents**

### ***How many votes are needed to hold the Annual Meeting?***

A majority of Columbia's outstanding shares as of the Record Date (a quorum) must be present at the Annual Meeting in order to hold the meeting and conduct business. Shares are counted as present at the meeting if a shareholder is present and votes in person at the meeting or has properly submitted a proxy card. As of the Record Date for the Annual Meeting, 28,233,727 shares of Columbia common stock were outstanding and eligible to vote. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. Broker non-votes, however, are not counted as shares present and entitled to be voted with respect to the matter on which the broker has expressly not voted. Generally, broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (i) the broker has not received voting instructions from the beneficial owner and (ii) the broker lacks discretionary voting power to vote such shares.

### ***What vote is required to elect directors?***

In the past, a nominee elected to a position on the Board was by a plurality vote (e.g., a director receiving the highest number of votes). Beginning at the 2010 Annual Meeting, a nominee for election to a position on the board of directors will be elected as a director if the votes cast for the nominee exceed the votes cast against the nominee (known as majority voting). The following will not be votes cast and will have no effect on the election of any director nominee: (i) a share whose ballot is marked as abstain; (ii) a share otherwise present at the meeting but for which there is an abstention; and (iii) a share otherwise present at the meeting as to which a shareholder gives no authority or direction. Shareholders may not cumulate their votes in the election of directors.

### ***What vote is required to approve the advisory resolution on executive compensation?***

The affirmative vote FOR by a majority of those shares present in person or by proxy and entitled to vote is required to approve the advisory (non-binding) resolution on the compensation of Columbia's executives described in the Compensation Discussion & Analysis and the tabular and narrative disclosure in this proxy statement. You may vote FOR, AGAINST or ABSTAIN from approving the advisory (non-binding) resolution on executive compensation. Abstentions and broker non-votes will have no effect on the outcome of the proposal.

### ***What vote is required to ratify the appointment of the independent registered public accountants?***

The proposal to ratify the appointment of Deloitte & Touche LLP as Columbia's independent registered public accounting firm will be adopted if a majority of the votes present in person or by proxy and entitled to vote are cast FOR the proposal. You may vote FOR, AGAINST or ABSTAIN from approving the proposal. Abstentions and broker non-votes will have no effect on the outcome of the proposal.

### ***Can I vote on other matters?***

We have not received timely notice of any shareholder proposals to be considered at the Annual Meeting, and our Board does not know of any other matters to be brought before the Annual Meeting.

### ***When are proposals for the 2011 Annual Meeting due?***

Proposals by shareholders to transact business at Columbia's 2011 Annual Meeting must be delivered to Columbia's Secretary no later than November 22, 2010, in order to be considered for inclusion in our proxy statement and proxy card and should contain such information as is required under our Bylaws. Such proposals will also need to comply with the SEC's regulations regarding the inclusion of shareholder proposals in Columbia-sponsored proxy materials. In order for a shareholder proposal to be raised from the floor during next year's annual meeting, written notice must be received by us no later than November 22, 2010 and should

**Table of Contents**

contain such information as required under our Bylaws. If we do not receive notice of a shareholder proposal within this timeframe, the persons named as proxies in such proxy statement and form of proxy will use their discretionary authority to vote the shares it represents as the Board may recommend.

***How do I nominate someone to be a director?***

In order for a shareholder to nominate a director for consideration at an annual meeting, such shareholder must provide a written notice that contains the information required by our Bylaws to the Chairman of the Board, c/o Columbia's Corporate Secretary, not less than 120 days in advance of the first anniversary of the date our proxy statement was mailed to shareholders for the preceding year's annual meeting. We did not receive any such nominations for directors for the 2010 annual shareholders meeting. For our annual meeting in 2011, we must receive this notice by November 22, 2010. You can obtain a copy of the full text of the Bylaws provision by writing to the Corporate Secretary, 1301 A Street, Tacoma, Washington 98402. A copy of our Bylaws is posted on our website.

You may contact our Corporate Secretary for a copy of the detailed procedures regarding the requirements for making shareholder proposals and nominating director candidates.

**Table of Contents****STOCK OWNERSHIP***Are there any owners of more than 5% of Columbia's stock?*

As of December 31, 2009, the following shareholders beneficially owned more than 5% of the outstanding shares of Columbia common stock:

<b>Name and Address</b>	<b>Number of Shares(1)</b>	<b>Percentage</b>
Blackrock, Inc.(2) 40 East 52 <sup>nd</sup> Street New York, NY 10022	2,622,849	9.33%
Dimensional Fund Advisors LP(3) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	1,522,999	5.42%
Lord Abbett & Co., LLC(4) 90 Hudson Street Jersey City, NJ 07302	1,686,272	6.00%

- (1) Pursuant to rules promulgated by the SEC, a person or entity is considered to beneficially own shares of common stock if the person or entity has or shares (i) voting power, which includes the power to vote or direct the voting of the shares, or (ii) investment power, which includes the power to dispose of or direct the disposition of the shares.
- (2) Based on a Schedule 13G filed under the Exchange Act. The securities are beneficially owned by Blackrock, Inc. (the successor in the acquisition of Barclays Global Investors, NA and certain of its affiliates, and the prior beneficial owner.
- (3) Based on a Schedule 13G filed under the Exchange Act. The securities are beneficially owned by various investments companies and commingled group trusts and separate accounts as to which Dimensional Fund Advisors LP ( Dimensional ) serves as investment advisor or investment manager with power to direct the disposition and/or voting of the securities. Dimensional disclaims beneficial ownership of the securities.
- (4) Based on a Schedule 13G filed under the Exchange Act. The securities are owned by various investment advisory clients of Lord Abbett & Co., LLC, which is deemed to be a beneficial owner of such shares due to its discretionary power to make investment decisions over such shares for its clients and its ability to vote such shares.

**Table of Contents****How much stock do Columbia's directors and executive officers own?**

The following table shows, as of February 15, 2010, the amount of Columbia common stock directly owned (unless otherwise indicated) by (a) each director and director nominee; (b) the executive officers named in the Summary Compensation Table below; and (c) all of our directors and executive officers as a group. Except as otherwise noted, we believe that the beneficial owners of the shares listed below, based on information furnished by such owners, have or share with a spouse voting and investment power with respect to the shares. Beneficial ownership is determined under the rules of the SEC and includes shares that could be acquired within 60 days through the exercise of an option or other right. All share numbers and prices have been adjusted for applicable stock splits and stock dividends.

Name	Position	Number(1)	Percentage(1)
William T. Weyerhaeuser	Chairman of the Board	238,746(2)	*
Melanie J. Dressel	Director, President and Chief Executive Officer	116,417(3)	*
John P. Folsom	Director	34,888(4)	*
Frederick M. Goldberg	Director	17,344(5)	*
Thomas M. Hulbert	Director	43,015	*
Thomas L. Matson, Sr.	Director	72,259	*
Andrew L. McDonald	Executive Vice President, Chief Credit Officer	25,603(6)	*
Mark W. Nelson	Executive Vice President, Chief Operating Officer	32,246(7)	*
Daniel C. Regis	Director	14,500(8)	*
Kent L. Roberts	Executive Vice President, Director of Human Resources	21,712(9)	*
Donald H. Rodman	Director	28,440(10)	*
Gary R. Schminkey	Executive Vice President, Chief Financial Officer	38,203(11)	*
James M. Will	Director	30,537(12)	*
Directors and executive officers as a group (13 persons)		713,910	*

\* Represents less than 1% of outstanding common stock.

- (1) The number and percentages shown are based on the number of shares of Columbia common stock deemed beneficially held under applicable securities regulations, including options or other rights exercisable within 60 days as follows: Mr. Folsom 1,050 shares; Mr. McDonald 5,000 shares; Mr. Weyerhaeuser 2,153 shares; and directors and executive officers as a group 8,203 shares.
- (2) 223,249 shares are held indirectly by WBW Trust Number One, for which Mr. Weyerhaeuser is the trustee with sole voting and investment power.
- (3) Includes 51,134 shares held in Ms. Dressel's Family LLC, 2,408 shares held by a corporation owned by Ms. Dressel and her spouse, and 7,450 shares held in Ms. Dressel's 401(k).
- (4) Includes 10,600 shares held indirectly in Mr. Folsom's IRA and 950 shares held in Mrs. Folsom's IRA.
- (5)

## Edgar Filing: COLUMBIA BANKING SYSTEM INC - Form DEF 14A

Includes 2,801 shares held by a partnership for the equal benefit of Mr. Goldberg and his mother over which Mr. Goldberg exercises investment power and 1,793 shares held in Mr. Goldberg's IRA.

- (6) Includes 3,763 shares held in Mr. McDonald's 401(k).
- (7) Includes 2,970 shares held in Mr. Nelson's 401(k).
- (8) Includes 12,500 shares held by Regis Investments, LP, a family limited partnership.



**Table of Contents**

- (9) Includes 3,866 shares held in Mr. Roberts 401(k).
  
- (10) Includes 5,675 shares held in Mr. Rodman s IRA, 5,625 shares held in Mrs. Rodman s IRA, 4,267 shares held in a Living Trust for the benefit of the Rodman estate.
  
- (11) Includes 8,150 shares held in Mr. Schminkey s 401(k).
  
- (12) Includes 750 shares held jointly with Mr. Will s spouse and 1,400 shares held in Mrs. Will s name.

**Table of Contents**

**INFORMATION ABOUT THE DIRECTORS AND NOMINEES**

***How many directors are nominated?***

Our Bylaws provide that the number of directors to be elected by the shareholders will be at least five and not more than 17. Under the Bylaws, the Board has authority to decide the exact number of directors to be elected within these limits. No new directors have been nominated since the 2009 Annual Meeting. Our Board has fixed the number of directors to be elected at the Annual Meeting at nine and has nominated the persons listed on the following pages, each of whom has consented to serve as a director if elected, for election as directors to serve until the 2011 Annual Meeting or until their successors are elected.

***What is the retirement age for directors?***

Our Bylaws provide that any person who has attained the age of 75 prior to the next meeting of shareholders may not stand for election.

***What happens if a nominee refuses or is unable to stand for election?***

The Board may reduce the number of seats on the Board or designate a replacement nominee. If the Board designates a substitute, shares represented by proxy will be voted FOR the substitute nominee. The Board presently has no knowledge that any of the nominees will refuse or be unable to serve.

**Table of Contents**

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

Information regarding each of the nominees is provided below, including each nominee's name, age as of the Record Date, principal occupation and public company directorships during the past five years, and the year first elected a director of Columbia, its predecessor corporation or one of its former or current subsidiaries. All of the nominees are presently directors of Columbia and Columbia Bank. There are no family relationships among any of our directors or executive officers, nor are any of the corporations or organizations referenced in the biographical information below a parent, subsidiary or affiliate of Columbia.

**Melanie J. Dressel**

Director since 1998

Ms. Dressel, 57, was named Chief Executive Officer of Columbia in February 2003 and continues to serve as the Company's President. From January 2000 prior to her appointment, Ms. Dressel was the President and Chief Operating Officer of Columbia, having served prior to that time and since May 1997 as Executive Vice President. She has also served as President and Chief Executive Officer of Columbia Bank since January 2000, having served prior to that time and since July 1998 as President and Chief Operating Officer, and from May 1997 to July 1998, as Executive Vice President. Ms. Dressel, who has over 30 years of banking experience, joined Columbia Bank in 1993, serving as Senior Vice President and Private Banking Manager until May 1997. Ms. Dressel graduated from the University of Washington with a political science degree. Ms. Dressel remains active in the community and served as chair of several community organizations including Executive Council for Greater Tacoma (of which she is a member), Washington RoundTable, the ArtsFund, Mary Bridge Children's Foundation and Tacoma/Pierce County Chamber of Commerce, and was the 2003 Campaign Chair for United Way of Pierce County. Ms. Dressel serves on the Government Relations Council for the American Bankers Association, was the Capital Campaign Co-Chair for Community Health Services and serves on various non-profit committees. For the 3<sup>rd</sup> consecutive year, in 2006 Ms. Dressel was named one of the 25 Most Powerful Women in Banking by U.S. Banker Magazine. As Chief Executive Officer and a director, Ms. Dressel serves as the primary liaison between the Board and management and as the executive with overall responsibility for executing the Company's strategic plan.

**John P. Folsom**

Director since 1997

Mr. Folsom, 65, served as President of Brown & Brown, Inc. of Washington, formerly Raleigh, Schwarz & Powell (insurance brokers and consulting), Tacoma, Washington, from 1990 through December 31, 2006 and served on the board of Precision Machine Works of Tacoma. Mr. Folsom received his professional designation in underwriting and risk management and currently serves as an independent consultant on insurance and risk management matters. Mr. Folsom earned his B.S. degree from the University of Washington and his J.D. from the University of California, where he was also a past member of the California and American Bar Association. Mr. Folsom is a resident of Pierce County, and has served as Chair of many community organizations, including the Executive Council for a Greater Tacoma and Multi Care Health System. His current services as a director include the Tacoma Pierce County Sports Commission, University of Washington Tacoma Urban Studies Advisory Board and the Foss Waterway PDA. Mr. Folsom's knowledge of, and business and personal contacts in the local market, together with his expertise in risk management matters and legal background provide the Board with the experience and expertise needed as Audit Committee chair.

**Frederick M. Goldberg**

Director since 2003

Mr. Goldberg, 70, has been a shareholder of SaltChuk Resources, Inc., Seattle, Washington, since 1982 and is currently a member of the Executive Committee and Chairman of the Audit Committee of that company. Mr. Goldberg has been a managing partner of Goldberg Investments since 1986. He has also served as Chairman of the Board of Panorama City, a continuing care retirement community in Lacey, Washington, since 1990 and

**Table of Contents**

Gibbons Lane Vineyard, Tenino, Washington, since 1997. Mr. Goldberg has worked in a leadership capacity for over 40 years as owner of several businesses throughout the United States and South America. His extensive leadership experience, together with his service on various audit committees, brings strong operational and financial experience to the Board.

**Thomas M. Hulbert**

Director since 1999

Mr. Hulbert, 63, has been President and Chief Executive Officer of Winsor Corporation (lighting technologies), Olympia, Washington, since 1996 and President and Chief Executive Officer of Hulco, Inc. (real estate investments), Olympia, Washington, since 1979 and has served on numerous boards of local private companies. Mr. Hulbert's leadership experience and knowledge of real estate investment provides a valuable resource to the Board.

**Thomas L. Matson, Sr.**

Director since 1998

Mr. Matson, 72, has been the Chairman of Tom Matson Dodge, Inc. (automobile dealership), Auburn, Washington, since 1963. Mr. Matson served as the Chairman of Cascade Bancorp, Inc. and its subsidiary, Cascade Community Bank, Auburn, Washington, from 1990 to 1997, when those institutions were acquired by Columbia. Mr. Matson was also an organizer and served as Vice Chairman of Auburn Valley Bank and has served as a director and Chairman of the Board of Crystal Mountain Resort. Mr. Matson's experience as a bank director and Chairman, together with his leadership skills and knowledge of owning and operating a long-established business, is a valuable benefit to the Board.

**Daniel C. Regis**

Director since 2003

Mr. Regis, 70, has been part owner and managing director of several Northwest technology-focused venture partnerships during the period 1998-2009. Mr. Regis has over 20 years cumulative experience as a public company director, and is currently a director of both Cray, Inc. and Art Technology Group, each a public company. Mr. Regis was President and managing partner of Kirlan Venture Capital, a Seattle-based company from 1996-1999. Mr. Regis was a certified public accountant and a Managing Partner at Price Waterhouse from 1964 until 1996. He is the Board's designated audit committee financial expert. Mr. Regis' extensive public company experience, together with his entrepreneurial business acumen and accounting background brings strong operational and financial expertise to the Board.

**Donald H. Rodman**

Director since 1991

Mr. Rodman, 71, has been the owner and Vice President of Rodman Realty since 1961, a commercial real estate development company located in Longview, Washington. During this time, Mr. Rodman has been involved in the development of several large commercial sites, including Triangle Shopping Mall and B&R Mini Storage in Longview, WA, Holiday Inn in Kelso, WA, Indian Hills Planned Unit Residential Development and Solid Waste Disposal Site, to name a few. Mr. Rodman earned his B.A. degree in economic and business administration from the College of Idaho. He has served as Chairman of several for-profit and nonprofit organizations, including the Cowlitz County Economic Development Council, and served on the board of several entities, including the Longview Chamber of Commerce and Lewis Federal Savings and Loan. Mr. Rodman is active in community organizations; he has been a member of the Rotary Club, and was the past President of the Longview chapter and past President of the St. John Foundation Board. Mr. Rodman's extensive experience, particularly in the commercial real estate sector, provides a valuable perspective to the Board.

**William T. Weyerhaeuser**

Director since 1998

Mr. Weyerhaeuser, 66, is the Chairman of the Board of Columbia. He is a clinical psychologist who retired from his private practice in Tacoma, Washington in 1998. Mr. Weyerhaeuser has served on several public company boards and has been a director of Clearwater Paper Corporation since 2008. Mr. Weyerhaeuser was a

**Table of Contents**

director of Potlach Corporation from 1990 – 2008, held the position of Vice Chairman of the Board during his tenure as director from 2004 – 2008 and was the former Chairman of the Board of EDEN Bioscience Corporation from 2001 – 2009. During 2002 – 2003, Mr. Weyerhaeuser served as the Interim CEO of the Company until the appointment of Ms. Dressel. He was the owner and Chairman of Comerco, Inc., the parent company of Yelm Telephone Company from 1984 – 2000. Mr. Weyerhaeuser earned his PH.D in Clinical Psychology and M.A. in Theology from the Fuller Theological Seminary, and his B.A. in Economics from Stanford University. As a long-time local resident, Mr. Weyerhaeuser has served on several civic boards and committees and currently serves as a trustee of the Seattle Opera, The Harold E. LeMay Museum and University of Puget Sound; was the former Chairman and Vice Chairman of University of Puget Sound, President of the Board of the Tacoma Art Museum and director and council President of the Boys Scouts of America. Mr. Weyerhaeuser's diverse background and public company experience provides a valuable perspective to the Board.

**James M. Will**

Director since 1993

Mr. Will, 63, serves as the President of Titus-Will Enterprises (automobile dealerships and property management), Tacoma, Washington and also as President of that company's subsidiary, Titus-Will Chevrolet, Buick, GMC Cadillac and Titus-Will Hyundai, Olympia, Washington. Mr. Will also serves as Vice-President of Titus Will Ford, Titus-Will Toyota and Lakewood Ford of Tacoma, Washington. Prior to that time and since 1969, Mr. Will was the President of Tam Engineering Corp. (automotive engine re-manufacturing), Tacoma, Washington. Mr. Will is a long time local resident and served as past Chairman of Boys and Girls Club of Pierce County and the United Way Pierce County. Mr. Will's strong operational, management and accounting experience, together with his oversight of personnel and human resources, provide a valuable resource to the Board.

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

## **Table of Contents**

### **CORPORATE GOVERNANCE**

#### **Guidelines**

The Board of Directors is committed to good business practices, transparency in financial reporting and high standards of corporate governance. We operate within a comprehensive plan of corporate governance for the purpose of defining responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. We regularly monitor developments in the area of corporate governance and our corporate governance policies, practices and committee charters are reviewed periodically and updated as necessary to reflect changes in regulatory requirements and evolving oversight practices.

#### **Board Leadership Structure**

The Board of Directors is committed to maintain an independent Board and for several years, a substantial majority of our Board has been comprised of independent directors. It has further been the practice of Columbia to separate the duties of Chairman and Chief Executive Officer. In keeping with good corporate governance practices, the Board believes that the separation of the duties of Chairman and Chief Executive Officer eliminates any inherent conflict of interest that may arise when the roles are combined, and that an independent director who has not served as an executive of the Company can best provide the necessary leadership and objectivity required as Chairman.

#### **Director Qualifications**

The Board of Directors believes that it is necessary for each of the Company's directors to possess many qualities and skills. All of our directors bring to our Board a wealth of leadership experience derived from their service in a variety of professional and executive positions and extensive board experience.

The Corporate Governance/Nominating Committee is responsible for the oversight and nomination process for director nominees. The Committee has not historically adopted formal director qualification standards for Committee-recommended nominees. However, the Committee annually reviews the experience, qualifications, attributes and skills of each director and nominee as part of its evaluation of whether these are the right individuals to serve on Columbia's Board to help Columbia successfully meet its long-term strategic plans. Because each director of Columbia must be re-elected annually, the Committee has an annual opportunity to assess these factors and, if appropriate, determine not to re-nominate any director. A more detailed discussion regarding the considerations given by the Committee when considering director nominees is set forth below in the section entitled *Board Structure and Compensation Corporate Governance and Nominating Committee*.

The director biographical information set forth above summarizes the experience, qualifications, attributes and skills that Columbia believes qualifies each director to serve on the Board. The Governance/Nominating Committee finds each of the respective director's professional and business acumen and board experience beneficial to the Company and the Board.

#### **Code of Ethics and Corporate Governance Documents**

We have adopted a Code of Ethics for Senior Financial Officers which applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and any persons performing similar functions.

You can access our current charters, including our Code of Ethics, Audit Committee, Corporate Governance and Nominating Committee and Personnel/Compensation Committee charters, Corporate Governance Policy, Code of Conduct and our Bylaws in the Corporate Governance section of our website at [www.columbiabank.com](http://www.columbiabank.com), or by writing to: Columbia Banking System, Inc., Attention: Corporate Secretary, 1301 A Street, Tacoma, Washington, 98402-4200.

**Table of Contents**

**Director Independence**

With the assistance of legal counsel to Columbia, the Corporate Governance and Nominating Committee has reviewed the applicable legal standards for Board and Board committee member independence, and the criteria applied to determine audit committee financial expert status. The Committee has also reviewed a summary of the answers to annual questionnaires completed by each of the directors, which also included any potential director-affiliated transactions.

The Board then analyzed the independence of each director and nominee and determined that the following members of the Board meet the standards regarding independence required by applicable law, regulation and Nasdaq listing standards, and that each such director is free of relationships that would interfere with the individual exercise of independent judgment. In determining the independence of each director, the Board considered many factors, including any loans to the directors, each of which were made on the same terms as comparable transactions made with other persons. Such arrangements are discussed in detail in the section entitled *Interest of Management in Certain Transactions*.

Based on these standards, the Board has determined that each of the following non-employee directors is independent:

John P. Folsom	Daniel C. Regis
Frederick M. Goldberg	Donald H. Rodman
Thomas M. Hulbert	William T. Weyerhaeuser
Thomas L. Matson, Sr.	James M. Will

Based on the standards described above, the Board determined that Melanie J. Dressel, who serves as the President and Chief Executive Officer of the Company, is not independent because she is an executive officer of the Company.

**Shareholder Communications with the Board of Directors**

Shareholders and other interested parties may communicate with the Board by writing to the Chairman of the Board c/o Columbia's Corporate Secretary, Columbia Banking System, Inc., 1301 A Street, Tacoma, Washington, 98402-4200. These communications will be reviewed by our Corporate Secretary and if they are relevant to, and consistent with, our operations and policies, they will be forwarded to the Chairman of the Board.

**Table of Contents****BOARD STRUCTURE AND COMPENSATION*****How often did the Board of Directors meet during 2009?***

The Board met 13 times during 2009. Each director attended at least 75% of the total number of meetings of the Board and committees on which he or she served. Columbia directors are expected to attend annual shareholder meetings. Last year, all of our directors attended the annual shareholder meeting. During 2009, the independent directors held 9 meetings.

***What committees has the Board established?***

The Board has established, among others, an Audit Committee, Personnel and Compensation Committee, a Corporate Governance and Nominating Committee, an Enterprise Risk Management Committee and a Merger and Acquisition Committee.

The following table shows the membership of the various committees during the year 2009.

**Committee Membership**

<b>Name</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating</b>	<b>E.R.M.</b>	<b>M&amp;A</b>
John P. Folsom	þ*	..	þ	þ	þ
Frederick M. Goldberg	..	þ	..	þ	þ*
Thomas M. Hulbert	þ	þ*	þ	..	..
Thomas L. Matson, Sr.	..	þ	þ	..	..
Daniel C. Regis	þ	..	..	þ*	..
Donald H. Rodman	..	þ	..	þ	..
William T. Weyerhaeuser	..	..	þ*	..	þ
James M. Will	þ	..	..	..	..

\* Committee Chair

**Audit Committee.** The Audit Committee is comprised of four directors, each of whom is considered independent as defined by the Nasdaq listing standards and applicable SEC rules. The Audit Committee operates under a formal written charter. Mr. Regis has been identified as an Audit Committee Financial Expert as defined by SEC rules. The committee held eleven meetings during 2009.

The Audit Committee is responsible for the oversight of the quality and integrity of Columbia's financial statements, its compliance with legal and regulatory requirements, the qualifications and independence of its independent auditors, the performance of its internal audit function and independent auditors and other significant financial matters. In discharging its duties, the Audit Committee is expected to, among other things:

have the sole authority to appoint, retain, compensate, oversee, evaluate and replace the independent auditors;

review and approve the engagement of the independent auditors to perform audit and non-audit services and related fees;

meet independently with the internal auditing department, independent auditors and senior management;

review the integrity of the financial reporting process;



review the financial reports and disclosures submitted to appropriate regulatory authorities;

## Table of Contents

maintain procedures for the receipt, retention and treatment of complaints regarding financial matters; and

review and approve related party transactions.

**Personnel and Compensation Committee.** The Personnel and Compensation Committee is comprised of four directors, each of whom is considered independent as defined by the NASDAQ listing standards and applicable SEC and IRS rules. The Personnel and Compensation Committee is charged with the responsibility of reviewing the performance of our Chief Executive Officer and other key employees and determines, approves and reports to the Board on the elements of their compensation and long-term equity based incentives. The Committee will periodically retain an independent consultant to assist the Committee in its deliberations regarding executive compensation for the Chief Executive Officer and other key executives. In 2007, the Compensation Committee commissioned Watson Wyatt Company to update an earlier study of Columbia's executive compensation compared to a peer group comprised of other publicly traded financial services companies. The Committee used the report coming out of this study as a reference in making 2009 compensation decisions.

In addition the Personnel and Compensation Committee:

reviews all employee benefit plans; and

makes determinations in connection with compensation matters as may be necessary or advisable.

The Personnel and Compensation Committee operates under a written charter, a copy of which is posted on our website. The Personnel and Compensation Committee meets as needed, and may delegate to one or more of its members the responsibility of meeting with consultants and management to obtain information for presentation and consideration of the entire committee. There were five meetings of the Personnel and Compensation Committee during 2009.

### ***How does the Board exercise its authority for risk oversight?***

The Board has ultimate authority and responsibility for overseeing risk management at Columbia. Some aspects of risk oversight are fulfilled at the full Board level. For example, the Board regularly receives reports from management on credit risk, liquidity risk and operational risk. The Board delegates other aspects of its risk oversight function to its committees. The Audit Committee oversees financial, accounting and internal control risk management; the head of the Company's internal audit function reports directly to the Audit Committee. The executive officers regularly report directly to the entire Board and to appropriate Board committees with respect to the risks they are responsible for managing.

During 2009, the Board created the Enterprise Risk Management Committee (ERM Committee) whose function is to oversee the Company's policies, procedures and practices related to business, market and operational risks as they impact the strategic, operational, reporting, and compliance objectives of the Company's strategic plan. The oversight role of the ERM Committee is to ensure that risks that could impact the strategic plan are appropriately identified, addressed and monitored by the Company's risk management group.

The Personnel and Compensation Committee oversees the management of risks that may be posed by the Company's compensation practices and programs. As part of this process, the Personnel and Compensation Committee is responsible for analyzing the compensation policies and practices for all employees, not just executive management. In its review of these policies and practices, the Personnel and Compensation Committee has determined that the current policies and practices do not create or encourage risks that are reasonably likely to have a material adverse effect on the Company.

**Corporate Governance and Nominating Committee.** The Corporate Governance and Nominating Committee is comprised of four directors, each of whom is considered independent as defined by the Nasdaq listing standards and is responsible for recommending a slate of directors to the full Board for election at the annual meeting and appointing directors to fill vacancies as they occur.

**Table of Contents**

The Corporate Governance and Nominating Committee will consider nominees recommended by shareholders provided that the recommendations are made in accordance with the procedures described in this proxy statement under the section *Information About the Meeting How do I nominate someone to be a director?* The Committee evaluates all candidates, including shareholder-proposed candidates, using generally the same methods and criteria. The Corporate Governance and Nominating Committee operates under a formal written charter which is posted on our website.

In deciding whether to recommend incumbent directors for re-nomination, the Committee evaluates Columbia's evolving needs, and assesses the effectiveness and contributions of its existing directors. The Committee is authorized to establish guidelines for the qualification, evaluation and selection of new directors to serve on the Board. The Committee has not adopted, nor does it anticipate adopting, specific minimum qualifications for Committee-recommended nominees, nor has the Committee adopted a formal policy relating to Board diversity, although the Committee and the Board value a diversity of backgrounds, professional experience and skills among directors. The Committee instead evaluates each nominee on a case-by-case basis, including assessment of each nominee's business experience, involvement in the communities served by Columbia, and special skills. The Corporate Governance and Nominating Committee also evaluates whether the nominee's skills are complementary to existing Board members' skills, and the Board's need for operational, management, financial, technological or other expertise.

The Committee also has the authority and responsibility to monitor and review the appropriateness of the Company's principles and practices of corporate governance, including its Corporate Governance Policy, in light of emerging standards and best practices and the needs of the Company and its shareholders, and make such recommendations to the full Board as the Committee considers appropriate. The Committee also has the authority and responsibility to review the level and form of director compensation, taking into account such factors as the compensation paid to directors of comparable companies, and recommends any changes to the full Board for consideration. The process and procedures used in determining Board compensation for 2009 are discussed in the section below. The Corporate Governance and Nominating Committee held three meetings during 2009.

**Director Compensation**

The Corporate Governance and Nominating Committee has authority over director compensation subject to the Board's authority to approve changes. Directors receive compensation in the form of cash and, as applicable, awards in the form of restricted stock or stock options. We do not pay directors who are also employees of Columbia or Columbia Bank additional compensation for their service as directors.

The following table shows compensation paid or accrued for the last fiscal year to our non-employee directors. The footnotes to the table describe the details of each form of compensation paid to directors.

**2009 Director Compensation Table**

<b>Name</b>	<b>Fees Earned or Paid in Cash \$(1)</b>	<b>Stock Awards \$(2)</b>	<b>Total (\$)</b>
John P. Folsom	\$ 66,750	\$ 21,780	\$ 88,530
Frederick M. Goldberg	46,250	21,780	68,030
Thomas M. Hulbert	60,750	21,780	82,530
Thomas L. Matson, Sr.	40,750	21,780	62,530
Daniel C. Regis	49,750	21,780	71,530
Donald H. Rodman	42,750	21,780	64,530
William T. Weyerhaeuser	78,500	21,780	100,280
James M. Will	44,500	21,780	66,280

**Table of Contents**

(1) Amount shown for Mr. Folsom represents (i) retainer in the amount of \$25,000; (ii) \$15,000 as chairman of the Audit Committee; (iii) per meeting board attendance fees of \$9,750; and (iv) per meeting committee attendance fees of \$17,000.

Amount shown for Mr. Goldberg represents (i) retainer in the amount of \$25,000 (ii) \$2,500 as Chairman of the M&A Committee; (iii) per meeting board attendance fees of \$9,750 and (iv) per meeting committee attendance fees of \$9,000.

Amount shown for Mr. Hulbert represents (i) retainer in the amount of \$25,000 (ii) \$9,000 as chairman of the Compensation Committee; (iii) per meeting board attendance fees of \$8,250; and (iv) per meeting committee attendance fees of \$18,500.

Amount shown for Mr. Matson represents (i) retainer in the amount of \$25,000 (ii) per meeting board attendance fees of \$8,250; (iii) per meeting committee attendance fees of \$7,500.

Amount shown for Mr. Regis represents (i) retainer in the amount of \$25,000 (ii) \$2,500 as Chairman of the E.R.M. Committee; (iii) per meeting board attendance fees of \$9,750; (iv) per meeting committee attendance fees of \$12,500.

Amount shown for Mr. Rodman represents (i) retainer in the amount of \$25,000; (ii) per meeting board attendance fees of \$9,750; (iii) per committee meeting attendance fees of \$8,000.

Amount shown for Mr. Weyerhaeuser represents (i) retainer in the amount of \$25,000 (ii) \$25,000 as Chairman of the Board; (iii) per meeting board attendance fees of \$9,000; (iv) per meeting committee fees of \$19,500.

Amount shown for Mr. Will represents (i) retainer in the amount of \$25,000 (ii) per meeting board attendance fees of \$9,000; (iii) per meeting committee attendance fees of \$10,500.

(2) Represents the grant date fair value of stock awards granted to each director in 2009, based on the price of Columbia's common stock at the close of business on July 22, 2009 (\$10.89), the date in which the restricted stock award was granted. The amounts reported for 2009 reflect a change in SEC rules, which formerly required reporting the aggregate expense recognized during the year for all equity awards, including awards granted in prior years.

At fiscal year end, the non-employee directors had in the aggregate outstanding stock option awards to purchase shares of the Company as follows: Mr. Folsom 1,050 shares and Mr. Weyerhaeuser 2,153 shares. No stock options were granted to the directors in 2009.

At fiscal year end, the non-employee directors had in the aggregate unvested restricted stock awards as follows: Mr. Folsom 2,000 shares; Mr. Goldberg 2,000 shares; Mr. Hulbert 2,000 shares; Mr. Matson 2,000 shares; Mr. Regis 2,000 shares; Mr. Rodman 2,000 shares; Mr. Weyerhaeuser 2,000 shares; and Mr. Will 2,000 shares.

**Cash Compensation.** Non-employee directors are paid an annual retainer as compensation plus a per meeting attendance fee for service as a director. Members of the Audit, Personnel and Compensation and Nominating and Corporate Governance Committees, respectively, receive an additional per meeting attendance fee. The Chairman of the Board and Chairmen of the Audit and Compensation Committees receive an additional retainer in light of the increased demands associated with those positions. Non-employee directors may elect to defer the receipt of meeting and/or director fees in accordance with the terms of the Company's Deferred Compensation Plan.

**Equity Compensation.** Non-employee directors may from time to time be granted restricted stock awards pursuant to our Stock Option and Equity Compensation Plan (the "Plan"), the material terms of which are discussed under the section *Executive Compensation* *Equity Compensation*. Restricted stock awards generally vest over a pre-determined period.

**Table of Contents**

From time to time, we grant nonqualified stock options to our directors. These options are granted under the Plan, and generally vest (i.e. become exercisable) three years from the date of grant, unless different vesting is approved by the Corporate Governance and Nominating Committee. The options may be exercised for a period of five years after they vest. If a director dies, becomes disabled, or retires (defined to mean a termination of directorship with at least five years of service or after attaining the age of 75), all options (whether or not vested) become immediately exercisable and may be exercised by the director or the director's estate for a period of five years or until the expiration of the stated term of the option. If a director terminates service on the Board for any reason other than death, disability or retirement, all options, to the extent then exercisable, must be exercised within 90 days unless the term for exercise is extended by the Board. If any director is removed by shareholders, all options will immediately terminate.

**Long Term Care Program.** In 2001, we implemented a long-term care program for directors serving at that time, which provides benefits in the event those individuals become chronically ill. The coverage is for a period of three years up to a lifetime, depending on the age of the director, and the amount of the benefit is based on the director's years of service with Columbia after the inception of the long-term care program. We paid a one-time premium for the long-term care policies. Expenses are allocated to the directors participating in the program on an annual basis. The benefit vests over a five-year period provided that the directors are fully vested if (i) they obtain the age of 75, (ii) they are not re-elected to the board, (iii) they become disabled, or (iv) there is a change of control of Columbia. If a director is terminated for cause, the director must reimburse Columbia for the full premium paid. A director must reimburse a percentage of the premium if the director voluntarily resigns or chooses not to run for re-election. The long-term care program was available to all directors, including executive officers that were also directors. We have purchased Bank Owned Life Insurance policies to fund this program. The Board has no plans to extend the program to include future officers or directors.

**Deferred Compensation Plan.** The Deferred Compensation Plan is a program under the management incentive plans pursuant to which directors may defer up to 100% of their total retainer fees. The terms of this plan are described under *Executive Compensation Deferred Compensation Plan*.

**Report of the Personnel and Compensation Committee on Executive Compensation**

*The Personnel and Compensation Committee of the Board of Directors makes the following report which, notwithstanding anything to the contrary set forth in any of Columbia's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, will not be incorporated by reference into any such filings and will not otherwise be deemed to be proxy soliciting materials or to be filed under such Acts.*

The Personnel and Compensation Committee of the Board (the Committee) met and discussed with management the Compensation Discussion and Analysis (CD&A) required by Item 402(b) of Regulation S-K, and based on that review and discussion, the Committee recommended to the Board that the CD&A be included as part of this proxy statement and 2009 Annual 10-K Report.

Pursuant to the requirements of Sections 111(b)(3)(A), 111(b)(3)(E), 111(b)(3)(F) and 111(c) of the Emergency Economic Stabilization Act of 2008, and 31 CFR Part 30.4, the Committee hereby certifies that:

1. It has reviewed with the Company's senior risk officers the senior executive officer (SEO) compensation plans and has made all reasonable efforts to ensure that these plans do not encourage SEOs to take unnecessary and excessive risks that threaten the value of Columbia;
2. It has reviewed with the Company's senior risk officers the Company's employee compensation plans and has made all reasonable efforts to limit any unnecessary risks these plans pose to Columbia; and
3. It has reviewed the Company's employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of Columbia to enhance the compensation of any employee.

**Table of Contents**

The following SEO compensation plans do not contain any features that could reasonably be interpreted to encourage SEO s to take risks:

<b>SEO Compensation Plan</b> Amended and Restated Employee Stock Purchase Plan	<b>How the Plan Does Not Encourage Taking Risks</b> Plan permits the purchase of Company stock; interests are aligned with shareholders; no risk-taking incentives inherent in the plan.
Employment, Change in Control and Severance Agreements	Agreements provide fixed cash compensation amounts under various circumstances; no incentive criteria included in the agreements.
Supplemental Executive Retirement Plan and Supplemental Compensation Agreement	Plan and agreements provide fixed supplemental and/or retirement compensation.
Deferred Compensation Plan (401 Plus Plan)	Plan provides for the deferral of compensation with a return linked to market benchmarks.

Each of the Company s other SEO and general employee compensation plans is listed in the table below, together with an explanation of how each such plan does not encourage SEO s and other employees to take unnecessary and excessive risks that threaten the value of Columbia.

<b>SEO Compensation Plan</b> <b>2009 Incentive Bonus Plan</b>	<b>How the Plan Does Not Encourage Unnecessary and Excessive Risks that Threaten the Value of Columbia</b> The Company s CEO, CFO and COO were not eligible for cash bonuses for 2009 under the CPP Rules, so the 2009 Incentive Bonus Plan could not have encouraged them to take excessive risks. For other SEO s and eligible employees, the goals reflected in performance criteria under the plan earnings per share (EPS), efficiency ratio, capital preservation, liquidity preservation, strategic activities and discretionary either mitigate risk or are consistent with prudent risk management practices (including but not limited to because the potential payouts to which the goals are tied are not significant enough to encourage excessive risk-taking).
--	--

EPS goal does not entail unnecessary or excessive risk-taking given Columbia s business model. The significant majority of Columbia s earnings are driven by net interest income, which depends to a great extent on the credit quality of the Company s loan portfolio. Given this business model and the direct link between credit quality and profitability, incentives to drive incremental EPS do not encourage excessive risk-taking, but rather drive a focus on credit quality and managing risk effectively.

Capital and liquidity preservation are goals to mitigate and hedge against risk, not encourage excessive risk-taking.

The strategic activities goal relates to execution against strategic opportunities as they arise. Success in strategic opportunities involves, at the Board level, a prudent assessment of risk when evaluating potential opportunities, and at the management level, successfully managing and mitigating risk in executing and integrating strategic transactions. Risk management is therefore a critical component of this goal.

The discretionary element does not drive excessive risk-taking because executives know the Board and Committee value prudence and conservatism, particularly in this economic environment.

**Table of Contents**

<b>SEO Compensation Plan</b>	<b>How the Plan Does Not Encourage Unnecessary and Excessive Risks that Threaten the Value of Columbia</b>
<b>Amended and Restated Stock Option and Equity Compensation Plan</b>	Award values are linked to the market price of the Company's stock; awards vest over a period of years; interests are aligned with shareholders; no risk-taking incentives inherent in the plan. In addition, the Committee determined that no general employee compensation plan links the potential for any material payout to the Company's reported earnings, and so no such plan can reasonably be viewed as encouraging the manipulation of reported earnings to enhance the compensation of any employee.

***Members of the Personnel and Compensation Committee***

Thomas M. Hulbert, Chairman

Frederick M. Goldberg

Donald H. Rodman

Thomas L. Matson



## Table of Contents

### EXECUTIVE COMPENSATION

The following section describes the compensation that we pay our Chief Executive Officer, Chief Financial Officer and the next three most highly compensated executive officers, all of whom are named in the Summary Compensation Table in this proxy statement (the "Named Executives"). This section includes:

Compensation Discussion and Analysis ( "CD&A" );

Detailed tables showing compensation of the Named Executives; and

Narrative disclosure about various compensation plans and arrangements and post employment and termination benefits.

#### ***Compensation Discussion & Analysis***

*References to the "Committee" in this section refer to the Personnel and Compensation Committee.*

### **Company Philosophy**

Columbia's goal is to be one of the leading Pacific Northwest regional banking companies headquartered in the Pacific Northwest, with a significant presence in selected markets, and to consistently increase earnings per share and shareholder value. Management believes that there continues to be opportunity for organic growth based upon its 84-branch footprint and the organization's commitment to delivering exceptional customer service and quality products, and growth through selective acquisitions. Our business strategy is to provide our customers with the financial sophistication and breadth of products of a regional banking company while retaining the appeal and service level of a community bank. We continually evaluate our existing business processes while focusing on maintaining asset quality and balanced loan and deposit portfolios, building our strong core deposit base, expanding total revenue and controlling expenses in an effort to increase our return on average equity and gain operational efficiencies. We believe that, as a result of our strong commitment to highly personalized, relationship-oriented customer service, our varied products, our strategic branch locations and the long-standing community presence of our managers, banking officers and branch personnel, we are well positioned to attract and retain new customers and to increase our market share of loans, deposits, and other financial services in the communities we serve. We are committed to increasing market share in the communities we serve by continuing to leverage our existing branch network, adding new branch locations and considering business combinations that are consistent with our expansion strategy throughout the Pacific Northwest. We believe that achievement of these goals will create long-term value for Columbia's shareholders, consistent with protecting the interests of depositors.

### **Compensation Philosophy**

In keeping with our long-term Company goal and our effort to consistently increase earnings per share and shareholder value, the Compensation Committee is guided by the following six key principles in determining the compensation of the Named Executives:

***Competition.*** Compensation should reflect the competitive marketplace, so that the Company can attract, retain, and motivate key executives of superior ability who are critical to our future success.

***Reasonable Levels of Compensation.*** Total compensation opportunities and payouts should be reasonable and not excessive. We generally strive to target total compensation near the median of our peers. We do not rigidly target or formulaically set compensation at the median or any other specific percentile. However, we do target overall compensation for executive officers in amounts that are roughly in line with the median of our peers.

*Accountability for Business Performance.* The executives' compensation in salary, as well as short-term and long-term incentive compensation, should be tied in part to overall Company financial performance.

## **Table of Contents**

***Accountability for Individual Performance.*** To encourage and reflect individual contributions to the Company's performance, compensation should be tied in part to the individual's performance.

***Alignment with Shareholder Interests.*** Compensation should be tied in part to the Company's stock performance through the granting of stock awards which serve to align executives' interests with those of our shareholders.

***Independence.*** An independent committee of the Board is responsible for reviewing and establishing the compensation for the Named Executives. The Committee periodically receives advice of an independent compensation consultant who has been retained by and reports directly to the Committee and performs no other work for management.

The compensation tables that appear later in this proxy statement contain information that reflects decisions made by the Compensation Committee. The reader is encouraged to refer to the tables while reviewing this section in order to understand how our compensation philosophy is put into action.

### **Impact of TARP Capital Purchase Program Regulations on Executive Compensation**

In November 2008, the Company issued and sold \$76.9 million of Series A preferred stock to the U.S. Treasury, together with a warrant to purchase the Company's common stock, as a voluntary participant in the U.S. Treasury's Capital Purchase Program (CPP) implemented in connection with the Troubled Asset Relief Program (TARP). As long as it is a participant in the CPP, the Company must comply with the compensation and corporate governance standards and restrictions under legislation and related Treasury Department rules applicable to CPP participants (the CPP Rules). The CPP Rules have impacted Columbia's executive compensation program, and the 2009 compensation of our Named Executives, in the following key respects:

The CPP Rules prohibit, and we did not pay or accrue, any cash bonuses to our Chief Executive Officer, Chief Financial Officer or Chief Operating Officer in 2009 (and based on Columbia's lack of profitability the Board determined not to award any cash bonuses to the other Named Executives).

We did not grant our Named Executives any equity awards in 2009 other than long-term restricted stock as permitted by the CPP Rules, none of which vests sooner than two years after the grant date, and which cannot be sold except to the extent Columbia has repaid the Treasury's investment in the Company (other than to pay applicable taxes).

Although there were no triggering events for any of our Named Executives during 2009, the CPP Rules provide that no severance or change-in-control benefits can be paid or accrued until Columbia has repaid the Treasury's investment in the Company.

In accordance with the CPP Rules, we implemented a policy that incentive compensation paid to our Named Executives that later is determined to have been based on materially inaccurate financial or other performance criteria is subject to recovery or clawback.

Columbia's annual tax deduction for each covered executive is limited to \$500,000, including performance-based compensation (as opposed to the standard limit of \$1 million, excluding performance-based compensation).

### **Overall Compensation Levels for 2009**

The 2009 total compensation for our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer declined from 2008 levels due primarily to the one-time 2008 compensation recognized by each in connection with the life insurance policy replacement program described in detail in Columbia's 2009 proxy statement. 2009 total compensation levels for other Named Executives were relatively flat as compared to 2008, since there were no salary increases in 2009, no cash bonus or incentive payments in either 2008 or 2009, similar annual equity award values (when taking into account the change in the Compensation Committee's normal timing by awarding annual equity grants for 2009 in December 2009 rather than February 2010) and similar other compensation amounts.



## **Table of Contents**

### **Factors in Setting Overall Compensation Levels**

When establishing salaries, annual bonus incentives and long-term incentive compensation opportunities for executive officers, consideration is given to:

restrictions under the CPP Rules;

the Company's overall performance during the past year including meeting its financial and other strategic goals;

the executives' level of responsibility and function within the Company;

the individual's performance during the past year in meeting individual goals;

how compensation of Columbia's executive officers compares to executives at peer institutions, with a particular focus on financial institutions with similar Company objectives and comparable asset size; and

the value of being perceived in the marketplace where we compete for the best talent available as an organization that provides a competitive compensation package to key executives.

As appropriate, the Compensation Committee also considers general economic conditions within the Company's market area and the overall banking industry. With respect to executive officers other than the Chief Executive Officer, the Committee also utilizes the recommendations of the Chief Executive Officer. The Compensation Committee generally follows this process for determining executive compensation; however, other discretionary and subjective components may also be considered if appropriate.

### **The Role of Benchmarking**

In 2007, the Compensation Committee commissioned Watson Wyatt Company to update an earlier study of Columbia's executive compensation compared to a peer group comprised of other publicly traded financial services companies. The Committee used the report coming out of this study as a reference in making 2009 compensation decisions. The updated report provided Watson Wyatt's market observations on executive base salaries, short-term and long-term incentives based on competitive data from published compensation surveys and proxy filings of an updated peer group of 17 banks. Further, Watson Wyatt performed trend line (regression) analysis on the market data to predict salary levels for executives in banks with an asset size of approximately \$3 billion. Watson Wyatt relied on the following published compensation surveys for competitive market data: Watson Wyatt Financial Institutions Compensation Survey, Watson Wyatt Top Management Compensation Survey, and the Milliman Northwest Financial Industry Salary Survey. The 17 comparable companies that comprise our peer group in the study include: AmericanWest Bancorp, Banner Corporation, Cascade Bancorp, Centennial Bank Holdings, Inc., Chemical Financial Corp., First Financial Bankshares, Inc., First Regional Bancorp, First State Bancorporation, Frontier Financial Corp., Hanmi Financial Corp., Itla Capital Corp., Nara Bancorp, Placer Sierra Bancshares, Texas Capital Bancshares, Vineyard National Bancorp, West Coast Bancorp and Wilshire Bancorp, Inc. The updated market research indicated that the overall compensation level for our Chief Executive Officer should be in the \$1.1 to \$1.3 million range. Watson Wyatt summarized the observations from its study as follows. As of January 2008:

Columbia's executive salaries were within market median levels;

Recent short term incentive (cash bonus) awards were below competitive target levels;

Long-term incentives were within market levels, except for the CEO s, which were below market; and

On average, overall total compensation values for the majority of executives were below competitive norms.

**Table of Contents**

Total compensation levels for the Named Executives fell below market and internal guidelines because Columbia is a relatively young and evolving company and because, throughout its history, the Company's executive management and Board have approached executive compensation in a manner consistent with the primary shareholder objective of building long term enterprise value over time. The Compensation Committee received an updated study from Watson Wyatt in November 2009, which it will use as a reference in making 2010 compensation decisions.

**Allocation Among Components**

In allocating target compensation among various compensation elements, we believe that compensation for the Chief Executive Officer should be more heavily weighted toward performance-based elements, since the Chief Executive Officer has the greatest ability to influence the Company's overall performance. The Committee believes that certain critical control positions, such as the Chief Financial Officer, Chief Operating Officer, Chief Credit Officer and the Human Resources Director should receive a relatively higher portion of their compensation in base salary, which is consistent with the compensation practices of our peer group.

**2009 Allocation**

The following table shows target allocations for 2009. In making these specific target allocations, the Committee relied to some extent on the guidance provided by the Watson Wyatt report. It showed that Columbia's base salaries and short-term cash incentive target amounts were at roughly the market median, and long-term equity incentive amounts were at roughly the market 25<sup>th</sup> percentile (i.e., lowest quartile). We believe these allocations most closely align Columbia within its competitive marketplace and are consistent with our overall compensation philosophy as described above. The allocations shown in the table below were applied when the Compensation Committee set 2009 target compensation levels, before the restrictions under the CPP Rules were known.

	Typical Base Salary	Typical Cash Incentive Target	Typical Equity Incentive Target	Value of Benefits	SERP	Total Compensation
President and CEO	35%	18%	28%	10%	9%	100%
EVP and Chief Financial Officer	45%	14%	16%	14%	11%	100%
EVP and Chief Operating Officer	45%	14%	16%	14%	11%	100%
EVP and Chief Credit Officer	48%	14%	12%	14%	12%	100%
EVP and Human Resource Director	48%	14%	12%	14%	12%	100%

**2010 Allocation**

Under the CPP rules, cash incentive awards may not be paid or accrued to our five most highly compensated employees based on prior year compensation, which for 2010 includes all of our Named Executives. Accordingly, for 2010 we have not allocated any portion of target total compensation to short-term cash incentive awards, and the target allocations for other elements have increased in percentage terms, although not in dollar amounts.

	Base Salary	Cash Incentive Target	Equity Incentive Target	Value of Benefits	SERP	Total Compensation
President and CEO	53%	0%	28%	10%	9%	100%
EVP and Chief Financial Officer	59%	0%	16%	14%	11%	100%
EVP and Chief Operating Officer	59%	0%	16%	14%	11%	100%
EVP and Chief Credit Officer	62%	0%	12%	14%	12%	100%
EVP and Human Resource Director	62%	0%	12%	14%	12%	100%

## **Table of Contents**

### **Key Elements**

Columbia's overall compensation program for executives currently consists of three key elements. Absent the CPP Rules, the program also would include a short-term cash incentive element.

**Base Salary.** Salaries are used to provide a fixed amount of base compensation that is competitive with relevant organizations and internally consistent based upon each position's scope of responsibilities. The salaries of the Named Executives are reviewed on an annual basis, as well as at the time of a promotion or other change in responsibilities. We consider Company financial performance and individual performance, qualifications, experience, and overall contribution to the organization when setting base salary levels.

**Long-Term Equity Incentives.** Executive officers and other key management positions should have a meaningful portion of their competitive total compensation opportunity linked to shareholder return, which is directly tied to our long-term vision of growth, stability, asset quality and our commitment to a personalized banking approach. Long-term incentives take the form of equity awards that are intended to align the interests of an executive with those of Columbia's shareholders by tying value to the market value of Columbia stock, and further serve to promote an executive's continued service to the organization by vesting over a period of years (typically four years, with no vesting before two years).

**Employee Benefits.** The Company strives to assist executives in meeting their retirement income, health care, disability income, time-off and other needs through competitive, cost-effective, Company-sponsored programs that provide individuals with reasonable flexibility in the context of their individual circumstances.

The combination of these key elements enables us to reinforce our pay-for-performance philosophy, as well as strengthen our ability to attract and retain highly qualified executives. Given the constraints of the CPP Rules, we believe that this combination of programs provides an appropriate mix of fixed and variable pay, promotes creating long-term shareholder value, and helps us recruit and retain top executives.

Decisions regarding executive total compensation program design, and individual pay, are made in the context of the total compensation philosophy outlined above, including Columbia's financial performance. We believe that this approach best serves the interests of Columbia's shareholders. It enables Columbia to meet the requirements of the highly competitive banking environment in which it operates, while ensuring that executive officers are compensated in a way that advances both the short-term and long-term interests of shareholders. Based on Columbia's 2009 financial performance, the Compensation and the Board determined that there would be no short-term cash incentive payout for 2009 to the Named Executives who were not restricted by the CPP Rules.

### ***Base Salary***

Our goal is to provide base salary levels that reflect a combination of factors, including competitive pay levels relative to the peer group discussed above, the executives' experience and tenure, our overall annual budget (which takes into account Company financial performance), and the executives' individual performance. Executive management informed the Compensation Committee in October 2008 that they would not accept any increase to base salary during 2009. In light of executive management's statement, and in recognition of the extremely difficult economic environment and its likely impact on Columbia, the Compensation Committee did not increase base salaries for Named Executives for 2009.

### ***Long-Term Equity Incentive Compensation***

Columbia's compensation philosophy recognizes that executive officers and other key management should have a meaningful portion of their total compensation opportunity tied to shareholder return that is directly aligned with our long-term vision of growth and profitability. Columbia's use of stock-based compensation is an



## **Table of Contents**

important element of employee compensation that facilitates the alignment of management's goals with the goals of the shareholders and the retention of executive management and other key employees. Long-term equity incentive awards to the Named Executives consist of restricted stock awards, which generally vest over a period of four years and also satisfy all requirements under the CPP Rules. Columbia's use of stock-based compensation is based on the principles that:

stock-based compensation is an important element of executive pay;

the grant of equity compensation is based on performance measures; and

owning stock is an important ingredient in forming the partnership of the employee with the goals of the organization and the shareholders.

In establishing award levels, we do not consider the equity ownership levels of the recipients or prior awards that are fully vested, because each equity award is awarded as an incentive to drive *future* shareholder return and to promote retention. It is our belief that competitors who might try to hire away our employees would not give credit for equity ownership in Columbia and, accordingly, to remain competitive, we cannot afford to give credit for that factor either.

Levels of awards are considered using a multiple of salary, market conditions and the executives' level of contribution to the Company based on the attainment of Company and individual goals. The Chief Executive Officer awards are based primarily on Company performance and the awards for the remainder of executive management are based on a combination of Company financial performance and goals specific to their area of responsibility as related to the Company's strategic initiatives and leadership development goals. In making decisions about equity compensation, the Committee is guided by the Watson Wyatt report to ensure that equity award levels for our executives are competitive when compared to companies in our peer group.

Historically, and for the 2009 grants made in February 2009, annual grants to executives have occurred in February of each year. In December 2009 the Committee changed its calendar and shifted the grant date for the 2010 annual grant to December 2009 from February 2010. Accordingly, the equity award values shown in the compensation tables that follow represent two annual grants: the 2009 grant made in February 2009 and the 2010 grant made in December 2009. When appropriate, the Committee considers additional off-cycle grants, although no off-cycle grants to Named Executives were made in 2009. We do not coordinate the timing of equity award grants with the release of material non-public information. Equity award values are based on the closing market price of our stock on the date the Board approves the grant.

## **Stock Ownership Guidelines**

The Company has adopted stock ownership guidelines for its executive officers. The guidelines are intended to help closely align the financial interests of these officers with those of Columbia's shareholders. Officers are expected to make continuing progress towards compliance with the guidelines during a five-year period. The ownership guidelines are as follows: (1) senior executive officers (currently including the positions of Chief Executive Officer, President and Chief Operating Officer) have a required minimum ownership of approximately 28,000 shares; and (2) the Chief Banking Officer, Chief Credit Officer, Chief Financial Officer and Executive Vice President in charge of Human Resources have a required minimum ownership of approximately 21,000 shares. All of the Company's executive officers have exceeded the required minimum.

The Board has also approved stock ownership guidelines that call for non-employee directors to own at least 7,000 shares within five years of joining the Board. At year-end 2009, all directors had exceeded the ownership guidelines.

---

## **Table of Contents**

### **Retirement Benefits**

The Company believes that a retirement plan for its executive officers is an important part of the total compensation package and provides a mechanism for attracting and retaining superior executives. The Company has not adopted a formal pension plan but, instead, has provided retirement benefits to its executives in the form of Supplemental Executive Retirement and Compensation Plans ( SERPs ) and the Deferred Compensation Plan. In 2004, the Company terminated the use of further SERPs and adopted the Supplemental Compensation or Unit Plan for future executives.

**Supplemental Executive Retirement Plan.** In 2001, Columbia implemented a SERP for certain executive officers of Columbia to provide retirement benefits to those officers. The SERP provides a fixed lifetime annual retirement benefit, the amount of which declines to the extent the executive retires before normal retirement age. The SERPs serve a retention purpose by vesting over five years, and by restricting the executive from working for a competitor during the benefit distribution period. We have provided SERPs to Ms. Dressel and Messrs. Schminkey and Nelson. A more detailed description of the SERPs is located in the section entitled *Post Employment and Termination Benefits*.

**Supplemental Compensation Plan.** Starting in 2004, the Company began using supplemental compensation arrangements, which we call Unit Plans , to provide retirement benefits for executive officers instead of SERPs. The Unit Plan vehicle was selected following actuarial analysis which indicated that the Unit Plan approach was a more straightforward, cost-effective vehicle for delivering competitive retirement benefits to future executive officers. Like the SERPs, the Unit Plans serve a retention purpose by vesting over five years, and by restricting the executive from working for a competitor during the benefit distribution period. As more fully described in the section entitled *Post Employment and Termination Benefits*, we have awarded three separate Unit Plans to Andrew L. McDonald, Executive Vice President and Chief Credit Officer, and one Unit Plan to Kent L. Roberts, Executive Vice President and Director of Human Resources.

**Executive Deferred Compensation Plan.** As more fully described in the section entitled *Post Employment and Termination Benefits*, we also provide non-employee directors and highly-compensated employees (as defined by IRS rules) with the opportunity to defer compensation because their participation in our 401(k) plan is limited under federal income tax rules and we believe they should have other similar means of saving for retirement. Currently, interest paid on the participant deferrals is 3-month LIBOR (the London Interbank Offered Rate ) plus 3.58%, the same rate as is paid on the Company's Trust Preferred Securities.

### **Executive Employment and Severance/Change in Control Agreements**

As noted above, the CPP Rules provide that no severance or change-in-control benefits can be paid or accrued to the Named Executives until Columbia has repaid the Treasury's investment in the Company. However, before our participation in the CPP, we had entered into agreements with our Named Executives to provide these benefits, and the Named Executives will once again be entitled to these benefits at such time as Columbia has repaid the Treasury's investment in the Company.

Ms. Dressel serves as President and Chief Executive Officer of Columbia and Columbia Bank pursuant to an employment agreement entered into effective August 1, 2004, which is described in detail in the section entitled *Post Employment and Termination Benefits*. The Company believes that an employment agreement helps protect the interests of our shareholders in a number of meaningful ways. First, it guarantees continuity of leadership through retention; second, it contains a non-compete provision that remains in force for duration of the pay-out period. Third, and perhaps most importantly, through severance and change in control provisions the employment agreement reduces potential concerns from shareholders about the degree to which the Chief Executive Officer is affected by short-term prospects for continued employment when making key strategic, long-term decisions (although the CPP Rules render these provisions ineffective until Columbia has repaid Treasury's investment in the Company).

## **Table of Contents**

Columbia has entered into severance and change in control agreements with the Named Executives other than Ms. Dressel, which are described in detail in the section entitled *Post Employment and Termination Benefits*. We believe that companies should provide reasonable severance benefits to employees. With respect to executive management, these severance benefits should reflect the fact that it is often more difficult for senior executives to find comparable employment within a short period of time. We also believe severance benefits should be structured to disentangle the Company from the former executive as soon as practicable. While it is possible to provide salary continuation to an executive during the job search process, which in some cases may be less expensive than a lump-sum severance payment, we prefer to pay a lump-sum severance payment in order to most cleanly and expeditiously sever the relationship. The severance and change in control agreements contain provisions, similar to those in Ms. Dressel's employment agreement, that require payments in the event of termination of employment related to a change in control. These arrangements are "double trigger", meaning that because they provide payments only upon a termination of employment in addition to a change in control, no covered executive will receive payments due to a change in control alone. As noted above, although the severance and change in control agreements remain in effect, the CPP Rules provide that no benefits under the agreements can be paid or accrued to the Named Executives until Columbia has repaid the Treasury's investment in the Company.

## **Perquisites and Other Benefits**

The Named Executives do not receive any perquisites or similar benefits such as company-provided cars, car allowances, or country club memberships. Executives participate in other benefits to the same extent as other employees. These benefits include medical and dental insurance, disability insurance, and the Company's 401(k) Plan. We adopted a policy on luxury expenditures as required by the CPP Rules, but since we do not offer perquisites to executives, adoption of the policy did not require us to limit or eliminate any element of executive compensation.

## **Impact of Tax Treatment of Compensation**

The Committee and management have considered the accounting and tax impacts of various programs designed to balance the potential cost to Columbia with the benefit/value to the executive. The Committee generally seeks to maximize deductibility of executive compensation under Internal Revenue Code Section 162(m) while retaining discretion to compensate executives in a manner commensurate with performance and the competitive market for executive talent. In this context, the Committee acts in a manner that, in its judgment, is in the best interests of Columbia.

As a participant in the CPP, so long as the preferred stock Columbia issued and sold to Treasury continues to be held by the Treasury, we can only deduct up to \$500,000 in annual compensation paid to covered executives, including performance-based compensation (which is not subject to the standard \$1 million annual limit on tax deductible compensation).

**Table of Contents****Compensation Tables**

The following table shows compensation paid or accrued for the last three fiscal years to Columbia's Chief Executive Officer, Chief Financial Officer and each of the three Named Executives earning in excess of \$100,000.

**Summary Compensation Table**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)(1)</b>	<b>Stock Awards (\$)(2)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3)</b>	<b>All Other Compensation (\$)(4)</b>	<b>Total (\$)(5)</b>
Melanie J. Dressel, President and Chief Executive Officer	2009	\$ 420,000	\$ 146,820	\$ 0	\$ 171,100	\$ 9,540	\$ 747,460
	2008	416,667	144,540	0	167,725	324,155	1,053,087
	2007	393,333	168,600	117,000	142,400	20,273	841,606
Gary R. Schminkey, EVP, Chief Financial Officer	2009	236,000	73,410	0	51,500	6,887	367,797
	2008	234,167	72,270	0	52,623	333,155	692,215
	2007	222,500	84,300	46,000	44,634	19,917	417,351
Mark W. Nelson, EVP, Chief Operating Officer	2009	235,001	81,650	0	109,700	6,284	432,635
	2008	231,667	72,270	0	104,654	414,436	823,027
	2007	212,500	84,300	44,000	87,208	20,784	448,792
Andrew L. McDonald EVP, Chief Credit Officer	2009	195,001	61,175	0	0	46,655	302,831
	2008	193,333	60,225	0	1,457	52,819	307,834
	2007	183,333	84,300	37,900	1,732	55,627	362,892
Kent L. Roberts, EVP, Director of Human Resources	2009	180,000	61,175	0	0	24,152	265,327
	2008	177,500	60,225	0	2,404	27,962	268,091
	2007	165,000	0	33,800	5,267	11,740	215,807

(1) Amounts include discretionary contributions under the *Deferred Compensation Plan* as follows: Ms. Dressel \$12,000; Mr. Schminkey \$12,000; Mr. McDonald \$5,040; and Mr. Roberts \$20,000. The material terms of the *Deferred Compensation Plan* are described below.

(2) Represents the grant date fair value of the stock awards. The fair value of these awards was determined in accordance with the Compensation Stock Compensation topic of the FASB ASC. Assumptions used to calculate these amounts are set forth in the footnotes to the Grants of Plan-Based Awards Table and in the notes to the Company's audited financial statements for the fiscal year ended 2009, included in the Company's accompanying Annual Report.

The fair market value of the restricted stock awards granted in 2009 was based on the price of Columbia's common stock at the close of business on February 25, 2009 (\$8.24) and December 29, 2009 (\$16.23), the date in which the restricted stock awards were granted. The awards are held in escrow and become fully vested February 25, 2013 and December 29, 2013. The material terms of the restricted stock awards are discussed below.

(3) The amount for Ms. Dressel represents the increase during 2009 in actuarial present value of accumulated benefit under the Supplemental Executive Retirement Plan, the material terms of which are described below under *Post Employment and Termination Benefits*. The amount for Mr. Schminkey represents the increase during 2009 in actuarial present value of accumulated benefit under the Supplemental Executive Retirement Plan, the material terms of which are described below under *Post Employment and Termination Benefits*.



---

## **Table of Contents**

The amount for Mr. Nelson represents the increase during 2009 in actuarial present value of accumulated benefit under the Supplemental Executive Retirement Plan, the material terms of which are described below under *Post Employment and Termination Benefits*.

(4) Amount shown for Ms. Dressel includes \$8,250 in 401(k) plan matching contributions and \$1,290 in group term life insurance premiums. Amount shown for Mr. Schminkey includes \$6,197 in 401(k) plan matching contributions and \$690 in group term life insurance premiums.

Amount shown for Mr. Nelson includes \$4,994 in 401(k) plan matching contributions and \$1,290 in group term life insurance premiums.

Amount shown for Mr. McDonald includes \$5,519 in 401(k) plan matching contributions; \$690 in group term life insurance premiums and \$40,446 in Company contributions to a supplemental retirement benefit plan ( Unit Plan ).

Amount shown for Mr. Roberts includes \$4,800 in 401(k) plan matching contributions, \$1,290 in group term life insurance premiums and \$18,062 in Company contributions to a Unit Plan.

(5) The amount paid to Ms. Dressel in 2008 includes a one-time payment of \$309,206 attributed to the BOLI replacement program. Excluding the impact of the BOLI replacement program, total compensation in 2008 for Ms. Dressel was \$734,065, a decrease of \$52,080 from 2007. The amount paid to Mr. Schminkey in 2008 includes a one-time payment of \$318,346 attributed to the BOLI replacement program. Excluding the impact of the BOLI replacement program, total compensation in 2008 for Mr. Schminkey was \$368,916, a decrease of \$20,738 from 2007.

The amount paid to Mr. Nelson in 2008 includes a one-time payment of \$399,208 attributed to the BOLI replacement program. Excluding the impact of the BOLI replacement program, total compensation in 2008 for Mr. Nelson was \$418,866, a decrease of \$2,229 from 2007.

***Incentive Bonus Plan.*** We have in place a discretionary Incentive Bonus Plan for the benefit of certain employees. Contributions by Columbia are based upon our year-end results of operations and attainment of goals by individuals. The size of the bonus pool is based upon an assessment of our performance as compared to both budgeted and prior fiscal year performance and the extent to which we achieved our overall goals. Once the bonus pool is determined, the Chief Executive Officer or other executive officers, as appropriate, make bonus recommendations to the Personnel and Compensation Committee, within the limits of the pool, based upon an evaluation of individual performance and contribution to our overall performance. In 2009, Columbia contributed \$866,479 for awards to key performers through this Bonus Plan, compared to nearly \$720,949 in 2008. The Personnel and Compensation Committee determines the bonus to be paid to the Chief Executive Officer. For a discussion of the decisions and processes of the Company in determining incentive compensation for the Named Executives see the *Compensation Discussion & Analysis*. The amounts paid to the Named Executives under the Bonus Plan are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table; however, no bonuses were paid to Named Executives in 2009.

## **Equity Compensation**

***Stock Option and Equity Compensation Plan.*** The Amended and Restated Stock Option and Equity Compensation Plan (the *Stock Option Plan* ) has a term of ten years and provides for the grant of restricted stock, incentive stock options, nonqualified stock options, restricted stock units and stock appreciation rights. All eligible employees and directors may participate in the Stock Option Plan. As of December 31, 2009, 118,191 shares are subject to granted but unexercised options and 720,906 shares remain available for future grant.

The restricted stock awards that were granted to the Named Executives in 2009 vest gradually over four years and become fully vested in 2013, subject to the following conditions: (i) the executive must remain fully

**Table of Contents**

employed with Columbia; and (ii) any remaining restrictions on the awards will automatically be removed following a change in control. Restricted stock awards carry full voting and dividend rights from the date of grant. In addition, each of the grants in 2009 to the Named Executives other than the February 25, 2009 grants to Messrs. McDonald and Roberts, qualifies as long-term restricted stock under the CPP Rules, and cannot be sold or transferred except to the extent the Company has repaid the Treasury's investment, except to pay applicable taxes.

**2009 Grants of Plan-Based Awards**

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	Grant Date Fair Value of Stock and Option Awards(2)
Melanie J. Dressel	2/25/2009		
	12/29/2009	6,000	\$ 49,440
Gary R. Schminkey	2/25/2009	3,000	24,720
	12/29/2009	3,000	48,690
Mark W. Nelson	2/25/2009	4,000	32,960
	12/29/2009	3,000	48,690
Andrew L. McDonald	2/25/2009	2,500	20,600
	12/29/2009	2,500	40,575
Kent L. Roberts	2/25/2009	2,500	20,600
	12/29/2009	2,500	40,575

- (1) The restricted stock awards are held in escrow and become fully vested as follows: awards granted February 25, 2009 vest 20% and 30%, respectively, on the 2<sup>nd</sup> and 3<sup>rd</sup> anniversary from the date of grant, with the final 50% vesting on February 25, 2013; and awards granted December 29, 2009 vest 20% and 30%, respectively, on the 2<sup>nd</sup> and 3<sup>rd</sup> anniversary from the date of grant, with the final 50% vesting December 29, 2013, each subject to certain conditions, as discussed in the section *Executive Compensation Stock Option and Equity Compensation Plan*
- (2) The grant date fair value of the restricted stock awards was based on the price of Columbia's common stock at the close of business as follows: awards granted on February 25, 2009 (\$8.24); awards granted on December 29, 2009 (\$16.23) the dates in which the restricted stock awards were granted.

**2009 Option Exercises and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of shares acquired on vesting (#)	Value realized on vesting (\$)(1)
Melanie J. Dressel	0	0	1,667	\$ 13,019
Gary R. Schminkey	0	0	833	6,506
Mark W. Nelson	0	0	833	6,506
Andrew L. McDonald	0	0	833	6,506
Kent L. Roberts	0	0	0	0

- (1) Value realized represents the fair market value of the shares at the date of vesting.





**Table of Contents****Outstanding Equity Awards at 2009 Fiscal Year-End**

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Options Exercisable (#)	Number of Securities Underlying Unexercisable Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Melanie J. Dressel		0			29,667	\$ 480,012
Gary R. Schminkey		0			14,834	240,014
Mark W. Nelson		0			15,834	256,194
Andrew L. McDonald	5,000	0	21.66	05/26/2012	13,334	215,744
Kent L. Roberts	0	0			10,000	161,800

- (1) Restricted Stock Awards are held in escrow and become fully vested on February 28, 2010, February 22, 2011, December 13, 2011, February 27, 2012, February 25, 2013 and December 29, 2013.

**Post Employment and Termination Benefits**

The following is a discussion regarding the post employment and termination arrangements currently in place for the Named Executives. The amounts are based on the maximum amounts that could be paid under these arrangements. As discussed in detail in the CD&A, compensation paid in the event of termination or change in control is limited by the CPP Rules. We have summarized the agreement provisions to provide shareholders with information about amounts to which the Named Executives would be entitled if the CPP Rules did not apply.

The following table provides information regarding nonqualified deferred compensation paid to the Named Executives during fiscal year 2009.

**2009 Nonqualified Deferred Compensation**

Name	Executive Contribution in Last FY (\$)(1)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)(2)	Aggregate Balance at Last FYE (\$)
Melanie J. Dressel	\$ 12,000	\$ 360	\$ 9,039	\$ 214,852
Gary R. Schminkey	12,000	360	5,520	133,776
Mark W. Nelson	0	0	3,687	84,953
Andrew L. McDonald	5,040	151	3,691	87,808
Kent L. Roberts	20,000	600	5,921	147,388

- (1) Amounts deferred in 2009 under the 401 Plus Plan, the terms of which are described below. These amounts are reflected in the salary column of the Salary Compensation Table.
- (2) The interest rate shall be equal to the three month LIBOR rate plus 3.58%. The Plan Administrator shall annually review the calculation of the rate of interest that will be applied to the Deferred Compensation Account (the DCA ) (the Interest Crediting Rate ) for appropriateness. The Interest Crediting Rate shall be adjusted quarterly for fluctuations in the three-month LIBOR rate. Plan participants will be notified of any adjustments to the Interest Crediting Rate.

On the last date of each month, the DCA maintained for each participant shall be credited with an amount equal to the product of (i) one-twelfth (1/12<sup>th</sup>) of the Interest Crediting Rate for the quarter in which such month occurs, times (ii) the average balance in the DCA for that month. The

## Edgar Filing: COLUMBIA BANKING SYSTEM INC - Form DEF 14A

amount so credited shall be treated as a part of the credit balance of the DCA for all purposes of this Plan. As used herein, the average balance in a DCA for a month shall be equal to the quotient determined by dividing (i) the sum of the credit balance in the DCA at the close of business each day in the calendar month, by (ii) the number of days in such month.

**Table of Contents**

**Deferred Compensation Plan.** In February 2004, the Board adopted a deferred compensation plan known as the 401 Plus Plan ( EDCP ) for certain directors, a select group of senior management and key employees, as designated by resolution of the Board. The EDCP generally provides for the deferral of certain taxable income earned by participants in the EDCP. Non-employee directors may elect to have any portion, up to 100% of his or her director's fees deferred. Designated officers or key employees may elect to defer annually under the EDCP up to 50% of his or her salary to be earned in the calendar year, and up to 100% of any cash bonuses.

**Distribution Election Notice.** At the time a participant first makes an election to defer covered compensation, he or she must deliver to the Company a signed distribution election notice in which he or she elects to receive distributions of the credit balance in his DCA in the form of either a single lump-sum payment or monthly installment payments over a period not to exceed one hundred twenty (120) months. A participant may change such election from time to time; but if a distribution election notice is delivered to the Company less than twelve (12) calendar months before the month in which distributions begin, such notice will not be effective and the Company will instead treat the distribution election notice that was last delivered to the Company before such twelve (12) calendar month period as the effective notice.

**Distributions Upon Retirement or Disability.** The Company will distribute the credit balance in a DCA maintained for a participant at the time he or she retires or becomes disabled as either a single lump-sum or monthly installment payments, as elected by the participant. If the participant has elected a single lump-sum distribution, such distribution will be made within ninety (90) days after the date that a participant retires or becomes disabled. If the participant has elected monthly installment payments, such distribution will be made on the first day of each month, beginning with the first day of the third month following the month in which a participant retires or becomes disabled and continuing until the full amount of the DCA maintained for the participant has been distributed. Until the DCA has been distributed in full, interest will continue to be credited to the DCA. The monthly installment payments will be in as nearly equal amounts as possible. Notwithstanding any contrary provisions of the Plan, if the participant dies after monthly installment payments of the credit balance in the DCA maintained for him or her have begun, then the remaining credit balance in the DCA will be distributed to his or her designated beneficiary in a single lump-sum within thirty (30) days after the Company receives notice that participant has died.

**Lump Sum Distributions Upon Termination of Employment Other Than Because of Death, Disability, or Retirement or if DCA is Less Than \$25,000.** Notwithstanding a participant's election to receive a distribution of the credit balance in the DCA maintained for him or her in the form of monthly installment payments, such credit balance will be distributed to the participant in a single lump-sum within ninety (90) days after the date on which he or she terminates his or her services or employment with the Company, if (i) such termination of services or employment is for any reason other than because he or she retires or becomes disabled, or (ii) if the credit balance of the DCA maintained for him or her does not exceed twenty-five thousand dollars (\$25,000). If a participant's services or employment with the Company is terminated because of his or her death, the credit balance in the participant's DCA will be distributed to his designated beneficiary.

**2009 Pension Benefits**

Name	Plan Name(1)	Number of Years Credited Service (#)(2)	Present Value of Accumulated Benefit (\$)(3)
Melanie J. Dressel	SERP	17	\$ 917,600
Gary R. Schminkey	SERP	17	281,600
Mark W. Nelson	SERP	7	579,100
Andrew L. McDonald	N/A	N/A	N/A
Kent L. Roberts	N/A	N/A	N/A

(1) The terms of the Supplemental Executive Retirement Plan (SERP) are described below.

**Table of Contents**

(2) Under the terms of the SERP, executives must, in addition to other conditions, be fully vested, which requires that the executive be employed by Columbia for at least six years. Both Ms. Dressel and Mr. Schminkey are 100% vested; Mr. Nelson is 60% vested, and will attain full vesting in 2013.

(3) The estimated maximum annual retirement benefit payable under the SERP for the Named Executives upon attaining age 65 is as follows: Ms. Dressel \$294,688; Messrs. Schminkey and Nelson \$206,957 and \$161,627, respectively.

**Supplemental Executive Retirement Plan.** In 2001, Columbia implemented a supplemental executive retirement plan (SERP) for certain executive officers of Columbia (the Executives ) to provide retirement benefits to those officers. The SERP is unsecured and unfunded and there are no plan assets. Columbia has purchased single premium Bank Owned Life Insurance (BOLI policies) on the lives of the Executives and other officers and intends to use income from the BOLI policies to offset SERP benefit expenses.

The SERP provides the Executives with lifetime retirement benefits of a fixed initial amount of \$294,688, \$206,957 and \$161,627, respectively, for each of Ms. Dressel and Messrs. Schminkey and Nelson. The SERP includes a number of restrictions on payment, including a requirement, subject to certain exceptions, that the Executive attain age 65 (62 in the event of a change in control). The SERP includes a number of potential adjustments to the date on which retirement payments are initiated and to the amount of the Executives benefit. These potential adjustments include provisions for early retirement at a reduced benefit amount, and a 2% annual inflation adjustment to benefit payments. Executives terminated pursuant to a change in control of Columbia, or disabled under any circumstances will be 100% vested (subject to the limitations under the CPP Rules), regardless of tenure. Other potential SERP adjustments include an elimination of benefits if the Executive violates non-competition requirements or if the Executive is terminated for cause or resigns voluntarily before achieving 100% vesting. The retirement benefits are funded from accruals to a benefit account during the participant's employment. The amount of the accrual is determined annually. The executive attains vesting by years of service, vesting 20% per year and becoming fully vested after five years.

**Executive Employment Agreement.** Ms. Dressel serves as President and Chief Executive Officer of Columbia and Columbia Bank pursuant to an employment agreement entered into effective August 1, 2004. The term of the employment agreement with Ms. Dressel is a rolling three-year term that provides for termination by either party through a notice of non-renewal submitted at least 60 days prior to the anniversary of the agreement.

*The CPP Rules prohibit the payment of any amounts to Ms. Dressel for termination of employment of a change in control, including any accelerated vesting of equity awards, until the Treasury's investment in the Company has been repaid. The following description of the termination and change in control benefits provided in Ms. Dressel's employment agreement is provided to give shareholders an understanding of amounts that would be payable if the CPP Rules no longer applied.*

Ms. Dressel's employment agreement provides that if her employment is terminated without cause or if she resigns for good reason, then she will receive salary and benefits for the greater of two years or the balance of the contract term, a prorated portion of any incentive payment earned during the year of termination, and all forfeiture provisions regarding any outstanding restricted stock or other compensation agreements will lapse. The employment agreement also provides for certain benefits and payments if Ms. Dressel's employment is terminated in connection with a change in control (as defined in the agreement). In such event, in addition to the continued benefits and payment of base salary described above (as well as the lapsing of any forfeiture provisions), the agreement provides that Ms. Dressel will receive an amount equal to two times any incentive payment she received during the year preceding her termination, and all of her stock awards will fully vest or any restrictions will be removed. In the event Ms. Dressel is terminated without cause, or she terminates for good reason, and within six months the Company publicly announces a change in control, upon closing of the change in control, the agreement provides that she will be entitled to receive the change in control payments set forth above, less any payments that she received as a termination payment.

**Table of Contents**

Effective February 1, 2009, Ms. Dressel voluntarily agreed to an amendment to her employment agreement that provides that if the total payment and benefits to be received by her as a result of a termination of employment in connection with a change in control would be in an amount that would cause them to be a parachute payment within the meaning, of Section 280G of the Code, such payments will be reduced so that the total amount of such payments and benefits is \$1 less than the amount constituting a parachute payment.

The table below shows the maximum amounts that could be paid to Ms. Dressel under her agreement, without giving effect to the restrictions under the CPP Rules and (i) is based on the executive's salary at December 31, 2009; and (ii) assumes the triggering event was December 31, 2009, as well as the aggregate amount allowed to be paid under the CPP Rules.

	Termination /Change in Control Payments				
	Death	Disability	Voluntary Termination For Good Reason	Termination w/o Cause	Termination due to CIC
<b>Base salary(1)</b>	\$	\$	\$ 840,000	\$ 972,922	\$ 1,009,950
<b>Targeted incentive bonus</b>					234,000
<b>Benefits payable under SERP(2)</b>		294,688	162,078	294,688	206,282
<b>Life Insurance Proceeds(3)</b>	400,000				
<b>Healthcare and other benefits</b>			17,573	17,573	17,573
<b>401(k) employer contribution</b>			8,250	8,250	8,250
<b>FMV of accelerated equity vesting(4)</b>	480,012	480,012	480,012	480,012	480,012
<b>Total</b>	\$ 880,012	\$ 774,700	\$ 1,502,056	\$ 1,634,665	\$ 1,780,259
<b>Total allowed under CPP Rules</b>	\$ 400,000(5)	\$ 294,688(5)	\$ 162,078(5)	\$ 294,688(5)	\$ 206,282(5)

- (1) Termination without Cause and Voluntary Termination for Good Reason; represents two times Ms. Dressel's annual salary. Termination due to Change in Control; represents two times Ms. Dressel's annual salary and targeted incentive bonus.
- (2) Represents maximum annual lifetime benefit payable and is subject to a 2% annual inflation adjustment.
- (3) The dollar amount represents amounts that would be due to Ms. Dressel's beneficiaries under group term life insurance program that provides a benefit for employees generally equal to two times salary as of the date of death, subject to a cap of \$200,000. Such amounts would be paid by insurance companies rather than by us.
- (4) For purposes of this table the fair market value of the accelerated vesting of equity awards is determined as being the difference between the Company's December 31, 2009 closing stock price and the strike price of the accelerated equity awards. It is expected that in the event of a change in control, the per share settlement stock price would be substantially higher than that used in this table.
- (5) The amount represents the aggregate amount allowed to be paid under the CPP Rules and includes life insurance proceeds in the event of death, and benefits payable under the SERP pursuant to all other termination events:

**Severance (Change in Control) Agreements.** Columbia Bank has entered into severance (renamed change in control) agreements with Mark W. Nelson, Executive Vice President and Chief Operating Officer, Andrew L. McDonald, Executive Vice President and Chief Credit Officer, Gary R. Schminkey, Executive Vice President and Chief Financial Officer and Kent L. Roberts, Executive Vice President and Director of Human Resources.

*The CPP Rules prohibit the payment of any amounts to Messrs. Nelson, McDonald, Schminkey and Roberts for termination of employment of a change in control, including any accelerated vesting of equity awards, until the Treasury's investment in the Company has been repaid. The following description of the termination and*



**Table of Contents**

*change in control benefits provided in Messrs. Nelson, McDonald, Schminkey and Roberts respective agreements, as applicable, is provided to give shareholders an understanding of amounts that would be payable if the CPP Rules no longer applied.*

The agreements contain provisions, similar to those contained in the employment agreement discussed above that require payments in the event of termination of employment related to a change in control. Under the terms of the agreements, following termination arising out of a change in control situation, the executives are entitled to (i) receive their base salary for terms of two years (one year in the case of Mr. Roberts); (ii) accelerate the vesting of options; and (iii) removal of restrictions on any restricted stock or other restricted securities, subject to Federal securities laws. These agreements also contain a covenant that they will not compete with Columbia or any of its subsidiaries for up to three years (one year in the case of Mr. Roberts) after the commencement of severance benefit payments, unless payments of such severance benefits are waived by the executive. The terms of the agreements become operable only in certain circumstances involving a change in control.

Under the terms of the agreements, the executive's severance benefit will be reduced as necessary to avoid application of Section 4999 of the Code. The terms of the agreements are five years unless otherwise extended in writing.

**Unit Plans.** The Company has entered into three Unit Plans with Andrew L. McDonald. The plans are provided primarily to supplement retirement benefits in lieu of a SERP. Each separate Unit Plan provides that Mr. McDonald will begin receiving a monthly payment beginning the first month following the tenth anniversary of each plan, based on an annual aggregate payment of \$25,000 per year for ten years. In the event Mr. McDonald's employment is terminated by the Company without cause, or he is terminated due to disability, Mr. McDonald will be entitled to receive a payment based on the prorated portion of his term of employment, payable in monthly payments following the tenth anniversary of each plan. If Mr. McDonald leaves the employment of Columbia prior to expiration during the respective ten-year period, the entire amount is forfeited. Once receiving the benefit, there is a non-competition clause restricting Mr. McDonald from working for a competitor.

The tables below shows the maximum amounts that could be paid to the executives Schminkey, Nelson, McDonald and Roberts under their respective agreements without giving effect to the restrictions under the CPP Rules and is based on (i) the executive's salary at December 31, 2009; and (ii) assumes the triggering event was December 31, 2009, as well as the amounts allowed to be paid under the CPP Rules.

Name	Death(1)	Termination Without Cause or Due to Disability(2)	Voluntary Termination Prior to Change in Control(3)	Termination without Cause Following Change in Control			Total Payments to Executive for Termination without Cause Following a Change in Control
				Salary(4)	Equity(5)	Other Compensation(2)	
Gary R. Schminkey	\$ 400,000	\$ 206,957	\$ 103,479	\$ 472,000	\$ 240,014	\$ 206,957	\$ 918,971
Mark W. Nelson	400,000	96,976	0	470,000	256,194	96,976	823,170
Andrew L. McDonald	390,000	25,000	0	390,000	215,744	0	605,744
Kent L. Roberts	360,000	5,000	0	180,000	161,800	0	341,800

(1) The dollar amount represents amounts that would be due to the executive's beneficiaries under group term life insurance program that provides a benefit for employees generally equal to two times salary as of the date of death, subject to a cap of \$200,000. Such amounts would be paid by insurance companies rather than by us.

(2) The amount shown for Messrs. Schminkey and Nelson represent the maximum annual lifetime benefits payable under their respective SERP and are subject to a 2% annual inflation adjustment.

The amounts shown for Messrs. McDonald and Roberts represent annual benefits payable for a period of ten and five years, respectively.

**Table of Contents**

- (3) The amount shown for Mr. Schminkey represents the maximum annual lifetime benefit payable under his SERP, once he attains age 55, and is subject to a 2% annual inflation adjustment.
- (4) The amount for Messrs. Schminkey, Nelson and McDonald represent two times each named executive's annual base salary; the amount for Mr. Roberts represents one times his annual base salary.
- (5) For purposes of this table the fair market value of the accelerated vesting of equity awards is determined as being the difference between the Company's December 31, 2009 closing stock price and the strike price of the accelerated equity awards. It is expected that in the event of a change in control, the per share settlement stock price would be substantially higher than that used in this table.

**Amounts Allowed Under the CPP Rules**

Nature of Event	Name of Executive Officer			
	Gary	Mark	Andrew	Kent
	R. Schminkey(1)	W. Nelson(1)	L. McDonald(2)	L. Roberts(2)
Death	\$ 400,000	\$ 400,000	\$ 390,000	\$ 360,000
Termination without cause or due to disability	206,957	96,976	25,000	5,000
Voluntary termination due to change in control	103,479	0	0	0
Termination without cause following change in control	206,957	96,976	0	0

- (1) The amounts for Messrs. Schminkey and Nelson include life insurance proceeds payable to executives' beneficiaries in the event of death, and benefits payable under their respective SERP pursuant to all other termination events.
- (2) The amounts for Messrs. McDonald and Roberts include life insurance proceeds payable to executives' beneficiaries in the event of death or amounts payable upon disability.

**Other Employee Benefits**

**Employee Stock Purchase Plan.** We also maintain an Employee Stock Purchase Plan (the "ESPP") that was adopted in 1995, and amended in 2000, 2006 and 2009. The ESPP allows eligible employees to purchase shares of Columbia common stock at 90% of the lower of the market price at either the beginning or the end of each six-month offering period by means of payroll deductions. At December 31, 2009, there were 723,698 shares available for purchase under the ESPP.



**Table of Contents****MANAGEMENT****Executive Officers who are not Directors**

The following table sets forth information with respect to the executive officers during 2009 who are not directors or nominees for director of Columbia, including employment history for the last five years. All executive officers are elected annually and serve at the discretion of the Board.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Has Served as an Officer of the Company since</b>
Andrew L. McDonald(1)	50	Executive Vice President/Chief Credit Officer	2004
Mark W. Nelson(2)	58	Executive Vice President/Chief Operating Officer	2002
Kent L. Roberts(3)	58	Executive Vice President/Human Resources	2007
Gary R. Schminkey(4)	52	Executive Vice President and Chief Financial Officer	1993

- (1) Mr. McDonald joined Columbia Bank as an Executive Vice President and Chief Credit Officer in June 2004. Prior to joining Columbia Bank, Mr. McDonald was a Senior Vice President and Team Leader at U S Bank. Mr. McDonald's experience in banking spans 20 years and includes senior credit officer positions with US Bank and West One Bank, as well as, managing US Bank's Media & Telecommunications group and South Puget Sound Commercial Banking group. Mr. McDonald previously held lending positions with Mellon Bank and Security Pacific.
- (2) Mr. Nelson joined Columbia Bank as an Executive Vice President and Senior Credit Officer in October 2002, appointed Chief Banking Officer in 2004, and was appointed a director of Bank of Astoria in 2005. During 2009, Mr. Nelson was promoted to Chief Operating Officer. Prior to joining Columbia Bank, Mr. Nelson was a Senior Vice President and Chief Lending Officer at Whidbey Island Bank. His previous 35 years of banking experience include serving in different senior management capacities with Evergreen Bank, Bank of America and Puget Sound National Bank.
- (3) Mr. Roberts joined Columbia Bank in December 2006 as Senior Vice President and Director of Human Resources following the retirement of Mr. Evans Q. Whitney effective January 3, 2007. In April 2007, Mr. Roberts was promoted to Executive Vice President/Director of Human Resources. Prior to joining Columbia Bank, he served as Vice President of the Organizational Department at Bird's Eye Foods.
- (4) Mr. Schminkey is a certified public accountant and joined Columbia Bank in March 1993 and has served as Executive Vice President and Chief Financial Officer of Columbia and Columbia Bank since December 1998. Prior to that time, Mr. Schminkey served as Vice President and Controller of the Company and Senior Vice President and Chief Financial Officer of Columbia Bank. For the prior ten years before joining the Company, Mr. Schminkey served as Assistance Vice President/Assistant Controller of Puget Sound Bancorp and Vice President/Accounting and Finance of its subsidiary Puget Sound National Bank and their respective successors.

**Table of Contents**

**PROPOSAL NO. 2**

**ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION**

Under applicable law and regulations, as a participant in the U.S. Treasury's Capital Purchase Program, we are providing you the opportunity, as a shareholder, to endorse or not endorse our executive pay programs and policies through the following resolution:

RESOLVED, that the shareholders approve the compensation of executive officers as described in the Compensation Discussion & Analysis and the tabular disclosures regarding Named Executive compensation (together with the accompanying narrative disclosures) in this proxy statement.

As provided in the ARRA, the vote is not binding on the Board of Directors and may not be construed as overruling a decision by the Board of Directors, nor creating or implying any additional fiduciary duty by the Board of Directors, nor be construed to restrict or limit the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation.

We believe that our compensation policies and procedures are strongly aligned with the long-term interests of our shareholders. Because your vote is advisory, it will not be binding upon the Board of Directors. However, the Personnel and Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

**Vote Required and Board Recommendation**

The proposal to approve the advisory (non-binding) vote on executive compensation requires the affirmative vote FOR of a majority of the shares present and entitled to vote.

**The Board of Directors unanimously recommends a vote FOR approval of the compensation of executive officers as described in the Compensation Discussion and Analysis and the tabular disclosures regarding Named Executive compensation (together with the accompanying narrative disclosures) in this proxy statement.**

**Table of Contents**

**PROPOSAL NO. 3**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED**

**PUBLIC ACCOUNTING FIRM**

Deloitte & Touche LLP currently serves as our independent registered public accounting firm, and that firm conducted the audit of our financial statements for the fiscal years ended December 31, 2009, 2008 and 2007. The Audit Committee has appointed Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm to conduct an audit of the financial statements for fiscal year 2010.

Appointment of the Company's independent registered public accounting firm is not required to be submitted to a vote of our shareholders for ratification. However, upon the recommendation of the Audit Committee, the Board has determined to submit the selection of auditors to our shareholders for ratification. In the event our shareholders fail to ratify the appointment, the Audit Committee may reconsider whether to retain Deloitte & Touche LLP, and may retain that firm or another without re-submitting the matter to our shareholders. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the Company's and its shareholders' best interest.

Representatives of Deloitte & Touche LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. It is also expected that they will be available to respond to appropriate questions.

**The Board of Directors unanimously recommends that you vote *FOR* the ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.**

**Table of Contents****SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers to send reports of their ownership of our stock to the Securities and Exchange Commission. We believe that all Section 16(a) filing requirements that apply to our directors and executive officers were complied with for the fiscal year ending December 31, 2009. In making this disclosure we have relied solely on written representations of our directors and executive officers, and copies of the reports that they have filed with the SEC.

**INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS**

Transactions between Columbia or its affiliates and related persons (including directors and executive officers of Columbia and Columbia Bank, or their immediate family) must generally be approved by the Audit Committee, in accordance with the policies and procedures set forth in the policy governing Related Persons Transactions adopted by the Board of Directors. Under the Related Persons Transaction Policy, a transaction between a related person will be consummated only if the Audit Committee, or a majority of the disinterested independent members of the Board, approves or ratifies such transaction in accordance with the guidelines set forth in the policy and if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party.

During 2009 certain directors and executive officers of Columbia and Columbia Bank, and their immediate family members, were customers of Columbia Bank, and it is anticipated that such individuals will continue to be customers of Columbia Bank in the future. All transactions between Columbia Bank and its executive officers and directors, and their associates, were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and, in the opinion of management, did not involve more than the normal risk of collectability or present other unfavorable features.

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Fees Paid to Independent Registered Public Accounting Firm**

The following table sets forth the aggregate fees charged to the Company by Deloitte, for audit services rendered in connection with the audited consolidated financial statements and reports for the 2009 and 2008 fiscal years and for other services rendered during the 2009 and 2008 fiscal years.

<b>Fee Category</b>	<b>Fiscal 2009</b>	<b>% of Total</b>	<b>Fiscal 2008</b>	<b>% of Total</b>
Audit Fees	\$ 830,970	100.0%	\$ 793,400	100.0%
Audit-Related Fees	0	0%	0	0.0%
Tax Fees	0	0%	0	0.0%
All Other Fees	0	0%	0	0.0%
<b>Total Fees</b>	<b>\$ 830,970</b>	<b>100.0%</b>	<b>\$ 793,400</b>	<b>100.0%</b>

**Audit Fees.** Consists of fees billed to Columbia for professional services rendered by Deloitte in connection with the audit of our financial statements included in Columbia's 10-K's, review of financial statements included in Columbia's Form 10-Q's, or services to Columbia in connection with statutory or regulatory filings or engagements, including comfort letters and consents.

**Audit-Related Fees.** There were no audit-related fees billed for fiscal years ended 2009 and 2008.

**Tax Fees.** There were no fees billed for tax compliance, tax advice or tax planning services for the fiscal years ended 2009 and 2008.

## **Table of Contents**

*All Other Fees.* There were no fees for services not included above for the fiscal years ended 2009 and 2008.

In considering the nature of the services provided by Deloitte, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with Deloitte and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement Sarbanes-Oxley, as well as the American Institute of Certified Public Accountants.

### **Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The services performed by Deloitte in 2009 were pre-approved in accordance with the pre-approval policy and procedures adopted by the Audit Committee. This policy is reviewed annually and describes the permitted audit, audit-related, tax, and other services (collectively, the Disclosure Categories ) that Deloitte may perform. The policy requires that prior to the beginning of each fiscal year, a description of the services (the Service List ) expected to be performed by Deloitte in each of the Disclosure Categories in the following fiscal year be presented to the Audit Committee for approval.

Services provided by Deloitte during the following year that are included in the Service List were pre-approved following the policies and procedures of the Audit Committee.

Any requests for audit, audit-related, tax, and other services not contemplated on the Service List must be submitted to the Audit Committee for specific pre-approval and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings. However, the authority to grant specific pre-approval between meetings, as necessary, has been delegated to the Chairman of the Audit Committee. The Chairman must update the Audit Committee at the next regularly scheduled meeting of any services that were granted specific pre-approval.

In addition, although not required by the rules and regulations of the SEC, the Audit Committee generally requests a range of fees associated with each proposed service on the Service List and any services that were not originally included on the Service List. Providing a range of fees for a service incorporates appropriate oversight and control of the independent auditor relationship, while permitting the Company to receive immediate assistance from Deloitte when time is of the essence.

The Audit Committee reviews the status of services and fees incurred year-to-date against the original Service List and the forecast of remaining services and fees for the fiscal year.

**Table of Contents**

**AUDIT COMMITTEE REPORT**

*The Audit Committee of the Board of Directors makes the following report, which notwithstanding anything to the contrary set forth in any of Columbia's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, will not be incorporated by reference into any such filings and will not otherwise be deemed to be proxy soliciting materials or to be filed under such Acts.*

The Audit Committee consists of the directors listed below. The Board has determined that the membership of the Audit Committee meets the independence requirements as defined under the Nasdaq listing standards.

Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The Audit Committee is responsible for overseeing Columbia's financial reporting processes on behalf of the Board. With respect to fiscal 2009 the Audit Committee has:

- (1) reviewed and discussed the audited financial statements with management, and management represented to the Audit Committee that Columbia's consolidated financial statements were prepared in accordance with generally accepted accounting principles;
- (2) discussed with the independent accountants the matters required to be discussed by SAS 61 (Communication with Audit Committees);
- (3) received from Deloitte the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountants' communications with the Audit Committee concerning independence, and the Audit Committee discussed with Deloitte that firm's independence;
- (4) discussed with Columbia's internal and independent accountants the overall scope and plans for their respective audits;
- (5) met with the internal and independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of Columbia's internal controls, and the overall quality of Columbia's financial reporting; and

Based on the review and discussions referred to in items (1) through (5) above, the Audit Committee has recommended to Columbia's Board of Directors that the audited financial statements be included in Columbia's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the Securities and Exchange Commission.

***Audit Committee Members***

John P. Folsom, Chairman

Thomas M. Hulbert

Daniel C. Regis

James M. Will

**Table of Contents**

**ANNUAL REPORT TO SHAREHOLDERS AND FORM 10-K**

Columbia's Annual Report and Form 10-K for the year ended December 31, 2009 (which is not a part of Columbia's proxy soliciting materials) is being mailed to Columbia's shareholders with this proxy statement. Additional copies of the Annual Report and Form 10-K will be furnished to shareholders upon request to:

JoAnne Coy

VP, Corporate Communications

P. O. Box 2156, MS 3100

Tacoma, WA 98401-2156

Fax: (253) 305-0854

**Delivery of Documents to Shareholders Sharing an Address**

In some cases, only one copy of this proxy Statement is being delivered to multiple shareholders sharing an address unless we have received contrary instructions from one or more of the shareholders. We will deliver promptly, upon written request, a separate copy of this proxy statement to a shareholder at a shared address to which a single copy of the document was delivered. To request a separate delivery of these materials now or in the future, a shareholder may submit a written or oral request to the Corporate Secretary at the address and number written above. Additionally, any shareholders who are presently sharing an address and receiving multiple copies of either the proxy statement or the Annual Report and who would rather receive a single copy of such materials may instruct us accordingly by directing their request to us in the manner provided above.

**WE URGE YOU TO SIGN AND RETURN YOUR PROXY CARD AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON. IF YOU DO ATTEND THE ANNUAL MEETING, YOU MAY THEN WITHDRAW YOUR PROXY. THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO ITS EXERCISE.**

**Table of Contents**





**Table of Contents**