

LORD DAVID R  
Form 4  
August 20, 2010

**FORM 4**

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

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
LORD DAVID R

2. Issuer Name and Ticker or Trading Symbol  
CRAFT BREWERS ALLIANCE, INC. [hook]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)  
929 N RUSSELL STREET

3. Date of Earliest Transaction (Month/Day/Year)  
08/19/2010

Director  10% Owner  
 Officer (give title below)  Other (specify below)

(Street)  
PORTLAND, OR 97227

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock	08/19/2010		P	1,627 A \$ 6.21	14,840	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
						Date Exercisable	Expiration Date	Title	Amount or Number of Shares
						Code	V	(A)	(D)

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LORD DAVID R 929 N RUSSELL STREET PORTLAND, OR 97227	X			

## Signatures

/s/Patrick R. Green by power of attorney for David R.  
Lord 08/20/2010

\_\_Signature of Reporting Person Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. in;width:2.84%;">

**Richard A. McCarty**

Executive Vice President, Chief Financial Officer, Chief Administrative Officer and Secretary

15%

40%

**David S. Harvey**

Executive Vice President/ Commercial Lending

15%

30%

**Michael J. Rodrigues**

Executive Vice President/Chief Credit Officer

15%

30%

Management recommends and the Compensation Committee reviews and approves the financial metrics that must be met each year in order for awards to be paid. These financial metrics are weighted and are intended to motivate and reward eligible executives to strive for continued financial improvement of the Company, consistent with performance-based compensation and increasing shareholder value. The Compensation Committee typically identifies from three to five financial metrics which may be revised from year to year to reflect current business situations.

The financial metrics selected for 2010 related to three categories: profitability, growth and risk management. Within each category, the Compensation Committee analyzed specific financial metrics. The Compensation Committee believes return on assets and earnings per share to be valid measurements in assessing how the Company is performing from a profitability standpoint. Earnings per share reflect shareholder returns over the long term. Earnings per share are an accepted measure of growth and efficient use of capital. In addition, the Compensation

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Committee, concluded that, in view of the halting recovery of the economy expected to occur in 2011, management's compensation should weigh core deposit growth, since the strength of a Company's core deposit base is an indication of the Company's success in customer retention, reduction in interest rate sensitivity and liquidity stabilization. Finally, the Compensation Committee believes that asset quality measures and audit results are effective measures to monitor the Company's progress in improving its credit quality.

The Compensation Committee determines the weighting of financial metrics each year based upon recommendations from the senior management. For 2010, the Compensation Committee weighted the financial metrics as follow:

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Category	Percentage Weight
Profitability	60%
Growth	20%
Risk-Management	20%

Each year, performance objectives are generally identified through our annual financial planning and budget process. Senior management develops a financial plan, and the financial plan is reviewed and approved by the Board of Directors. The Compensation Committee receives recommendations from senior management for financial performance objective ranges. The target level equated to the approved financial plan. The threshold performance level was set below the target level. In making the determination of the threshold and target levels, the Compensation Committee considered specific circumstances anticipated to be encountered by the Company during the coming year. Generally, the Compensation Committee sets the threshold and target levels such that the relative difficulty of achieving the target level is consistent from year to year. The Compensation Committee believes that targets have been and remain sufficiently challenging given the economic climate and the level of growth and improvement in the various financial metrics that would have to occur to meet the various performance objectives.

Our performance is assessed relative to performance objectives for return on assets, earnings per share, core deposit growth, loan growth and nonperforming assets to equity. These performance objectives are shown below:

Financial Metrics	Threshold	Target
Return on Assets	0.70%	1%
Earnings per Share	\$0.30	\$0.50
Core Deposit Growth	0%	5%
Loan Growth	-5%	0%
Nonperforming Assets to Equity	<35%	<25%

Upon completion of the fiscal year, the Compensation Committee assesses the performance of the Company for each financial metric comparing the actual fiscal year results to the pre-determined performance objectives for each financial metric calculated with reference to the pre-determined weight accorded the financial metric and an overall percentage amount for the award is calculated. In addition, the Compensation Committee has discretionary authority to include qualitative subjective measures which may increase or decrease an award up or down by an additional 15% of base salary. The positive discretion may be utilized to address completion of special projects, department initiatives, or favorable achievements reflected in regulatory exam results. The Compensation Committee may also use its discretion in adjusting financial metrics and performance objectives for unexpected economic conditions or changes in the business of the Company.

Our bonuses have traditionally been performance-based cash awards. As discussed above, however, the Company's participation in the U.S. Treasury Capital Program subjects it to various limitations on executive compensation. Among these limitations is a prohibition on the payment of bonuses to the Company's highest paid employee. Because of these limitations, bonuses may be payable solely in long-term restricted stock as defined by the U.S. Treasury. Moreover, no bonus may exceed 33% of the named executive officer's annual compensation.

In 2010, all thresholds were met and bonuses were paid, as disclosed on the Executive Compensation table on page 32.

#### *Equity-Based Compensation*

The Company currently has one equity based incentive plan, the Oak Valley Bancorp 2008 Stock Plan. The 2008 Stock Plan provides for awards in the form of incentive stocks, non-statutory stock options, stock appreciation rights, and restrictive stocks. The size of the option grant to each executive officer is set by the Compensation Committee at a level that is intended to create a meaningful opportunity for stock ownership based upon the individual's current position with the Company, the individual's personal performance in recent periods and his or her potential for future responsibility and promotion over the option term. The Compensation Committee also takes into account the number of unvested options held by the executive officer in order to maintain an appropriate level of equity incentive for that individual. The relevant weight given to each of these factors varies from individual to individual. The Compensation Committee has established certain guidelines with respect to the option grants made to the named executive officers, but has the flexibility to make adjustments to those guidelines at its discretion. The Company is authorized to issue 1,500,000 shares of its common stock under the 2008 Stock Plan, 8,630 of which have been issued as of the time of filing this Proxy.

Each of the named executive officers is eligible to receive equity compensation and, historically, equity compensation has been delivered primarily in the form of stock options. However, under the executive compensation restrictions for U.S. Treasury Capital Purchase Program participants, the issuance of stock options is prohibited under the general prohibitions on bonuses for the five highest paid employees of the Company. Although the Company could still make restricted stock grants under the 2008 Stock Plan, in 2009 and 2010 the Company did not make any equity-based incentive compensation grants to its named executive officers.

The Compensation Committee approves all awards under the 2008 Stock Plan and acts as the administrator of the 2008 Stock Plan. The Compensation Committee is responsible for determining equity grants to all staff members, including named executive officers, and in doing so considers past grants, corporate and individual performance, and recommendations of our Chief Executive Officer for staff members other than himself.

Stock option grants are made at the discretion of the Board. Each grant is designed to align the interests of the named executive officers with those of the shareholders and provide each individual with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business. Each grant allows the officer to acquire shares of the Company's common stock at a fixed price per share consistent with the market price on the grant date over a specified period of time (up to ten years). Each option becomes exercisable in a series of installments over a five year period, contingent upon the officer's continued employment with the Company. Accordingly, the option will provide a return to the executive officer only if he or she remains employed by the Company during the vesting period, and then only if the market price of the shares appreciates over the option term. We do not grant stock options with a so-called reload feature, nor do we loan funds to employees to enable them to exercise stock options.

The Compensation Committee recognizes that stock options have an impact on the profits of the Company under current accounting rules and also have a dilutive effect on the Company's shareholders. Accordingly, stock options are recognized as a scarce resource and option grants are given the same consideration as any other form of compensation. The Compensation Committee has not established definitive target levels for stock awards although it has traditionally relied on comparative data with respect to these long-term incentive awards.



We do not backdate options or grant options retroactively. In addition, we do not plan to coordinate grants of options so that they are made before announcement of favorable information, or after announcement of unfavorable information. The Company's options are granted at fair market value on a fixed date or event (the first day of service for new hires and the date of Compensation Committee approval for existing employees), with all required approvals obtained in advance of or on the actual grant date. All grants to executive officers require the approval of the Compensation Committee and the Board of Directors. Fair market value has been consistently determined as the closing price on The Nasdaq Global Select Market on the grant date. In order to ensure that its exercise price fairly reflects all material information, without regard to whether the information seems positive or negative, every grant of options is contingent upon an assurance by management that the Company is not in possession of material undisclosed information. If the Company is in a black-out period for trading under its trading policy or otherwise in possession of inside information, the date of grant is suspended until the second business day after public dissemination of the information.

The Company's general practice has been to grant options only on the annual grant date at the Compensation Committee and Board of Directors regular March meeting for current staff and at any other Compensation Committee meeting (whether a regular meeting or otherwise) held on the same date as a regularly scheduled board meeting (which are held monthly) as required to attract new staff, retain staff or recognize key specific achievements. Because of the economic downturn, particularly in the financial services industry, the Committee did not award stock options to the named executive officers in 2008, 2009 and 2010.

To date, the Compensation Committee has not authorized the issuance of restricted stock under the 2008 Stock Plan to any executive officer or any other employee, other than for 8,630 shares issued to our Chief Executive Officer in January 2011.

In connection with the Company becoming the holding company for Oak Valley Community Bank in 2008, the Company assumed all obligations for options issued under the Bank's 1998 Restated Stock Option Plan, with options to purchase shares of Company's common stock substituted for options to purchase shares of common stock of the Bank. The 1998 Restated Stock Option Plan expired in May 2008. As of March 30, 2011, there were a total of 282,385 options issued and exercisable under the 1998 Restated Stock Option Plan.

Additional information on long-term awards for executive officers is shown on the fiscal 2010 Option Values table on page 35.

#### *401(k) Plan*

The Company maintains a plan that complies with the provisions of Section 401(k) of the Internal Revenue Code. Substantially all employees are eligible to participate in this plan, and eligibility for participation commences upon hiring. The Company's executive officers are eligible to participate in this program, subject to any applicable tax laws. The Company contributes a percentage matching contribution to the same degree as all other employees. The matching contribution is 75% on all deferred amounts up to IRS limits.

#### *Health and Welfare Benefits*

The Company offers health and welfare programs to all eligible employees. The programs include medical, wellness, pharmacy, dental, vision, life insurance and accidental death and disability. The named executive officers received up to \$18,000 each in 2010 for health and welfare benefits.





*Salary Continuation Agreements*

On August 21, 2001, the Board of Directors of Oak Valley approved salary continuation agreements ( *Salary Continuation Agreements* ) between the Bank and Messrs. Courtney and McCarty (each, an *Executive* ). Under the *Salary Continuation Agreements*, Messrs. Courtney and McCarty are entitled to receive maximum annual payments of \$85,000 and \$65,000, respectively, for a period of 20 years following their retirement at the age of 62 (the *Normal Retirement Age* ). The salary continuation agreements also provide that, in lieu of any other benefit under such agreements, the Company will pay the executives any benefit under the agreement to the extent the benefit would not create an excise tax under the excess parachute rules of Section 280G of the 1986 Internal Revenue Code, and to extent possible, such benefit payment shall be reduced to allow payment within the fullest extent permissible under applicable law. In the event of disability while employed with us prior to the *Normal Retirement Age*, each *Executive* will receive a benefit equal to the retirement liability balance accrued by us at the time of disability.

In the event of early termination, the *Executive* will receive a vested portion of his retirement liability balance accrued by the Company at the time of such early retirement. The vesting schedule is 20% per year of service beginning with the sixth year of service. In the event the *Executive* dies prior to termination of the *Salary Continuation Agreement*, the beneficiary of such *Executive* will receive from the Company a lump sum death benefit amount.

In December 2001, we purchased insurance policies on the lives of Messrs. Courtney and McCarty, paying the premiums for these insurance policies with one lump-sum premium payment of approximately \$590,000. Under our *Split Dollar Agreements* and *Split Dollar Policy endorsements* with the *Executives*, the policy interests are divided between us and such *Executives*. We are entitled to any insurance policy death benefits remaining after payment to the *Executive*'s beneficiary.

If an *Executive* under the *Salary Continuation Agreement* is terminated for cause, we will not pay any benefits under such *Salary Continuation Agreement*. For this purpose, the term *cause* means an *Executive*'s gross negligence or gross neglect of duties, fraud, disloyalty, dishonesty or willful violation of law or significant bank policies in connection with the *Executive*'s service that results in an adverse effect on Oak Valley.

In February 2008, we entered into an additional *Salary Continuation Agreement* (the *Agreement* ) in the same form also for Ronald C. Martin. Under the *Agreement*, Mr. Martin is entitled to receive maximum annual payment of \$48,000 for a period of 10 years following his retirement at the age of 67 or upon a change in control, as defined in the *Agreement*. In the event of disability while employed with us prior to the age of 67, Mr. Martin will receive a benefit equal to the retirement liability balance accrued by the Bank at the time of disability. In the event of early termination, Mr. Martin will receive a vested portion his retirement liability balance accrued at the time of such early retirement. The vesting schedule is 20% per year of service beginning with the first year of service. In the event of Mr. Martin dies prior to termination to termination of the *Agreement*, the beneficiary of Mr. Martin will receive from us a lump sum death benefit amount.

*Executive Compensation Waiver*

As a result of the Company's participation in the Treasury's TARP Capital Purchase Program, each named executive officer voluntarily waived any claim against the United States or the Company for any changes to their compensation or benefits that are required to comply with the regulation issued by the Department of the Treasury. The regulation may require modification of the compensation, bonus, incentive and other plans, arrangements, policies and agreements (including so-called golden parachute agreements) that the named executive officer has with the Company or in which the named executive officer participates as they



relate to the period the United States holds any equity or debt securities of the Company acquired through the TARP Capital Purchase Program.

### **Compensation Committee Interlock**

Our Compensation Committee is comprised with Messrs. Schrimp, Barton, Gilbert, Haidlen, Jones, Martin, Titus and Vaughan. Our Compensation Committee is comprised entirely of independent directors.

### **Prohibition on Speculation in Company Stock**

Our stock trading guidelines prohibit executives from speculating in our stock, which includes, but is not limited to, short selling (profiting if the market price of the securities decreases), buying or selling publicly traded options, including writing covered calls, and hedging or any other type of derivative arrangement that has a similar economic effect.

### **Tax Considerations**

Section 162(m) ( Section 162(m) ) of the Internal Revenue Code of 1986, as amended, limits the allowable deduction for compensation paid or accrued with respect to the Chief Executive Officer and each of the four other most highly compensated executive officers of a publicly held corporation to no more than \$1 million per year. Certain compensation is exempt from this deduction limitation, including performance-based compensation paid under a plan administered by a committee of outside directors, which has been approved by shareholders. The Company has not previously obtained shareholder approval of performance standards for its compensation plans or arrangements because its executives generally do not have compensation arrangements that would exceed \$1 million per year.

In light of Section 162(m), it is the policy of the Compensation Committee to modify, where necessary, our executive compensation program to maximize the tax deductibility of compensation paid to our executive officers when and if the \$1 million threshold becomes an issue. At the same time, the Compensation Committee also believes that the overall performance of our executives cannot in all cases be reduced to a fixed formula and that the prudent use of discretion in determining pay levels is in our best interests and those of our shareholders. Under some circumstances, the Compensation Committee's use of discretion in determining appropriate amounts of compensation may be essential. In those situations where discretion is or can be used by the Compensation Committee, compensation may not be fully deductible.

Section 409A ( Section 409A ) of the Internal Revenue Code of 1986, as amended, among other things, limits flexibility with respect to the time and form of payment of deferred compensation. If a payment or award is subject to Section 409A, but does not meet the requirements that exempt such amounts from taxation under such section, the recipient is subject to (i) income tax at the time the payment or award is not subject to a substantial risk of forfeiture, (ii) an additional 20% tax at that time, and (iii) an additional tax equal to the amount of interest (at the underpayment rate under the Internal Revenue Code plus one percentage point) on the underpayment that would have occurred had the award been includable in the recipient's income when first deferred, or if later, when not subject to a substantial risk of forfeiture. We have made modifications to our plans and arrangements such that payments or awards under those arrangements either are intended to not constitute deferred compensation for Section 409A purposes (and will thereby be exempt from Section 409A's requirements) or, if they constitute deferred compensation, are intended to comply with the Section 409A statutory provisions and final regulations.

*Impact of Capital Purchase Program.* While we are a participant in the Capital Purchase Program, no deduction will be claimed for federal income tax purposes for executive compensation that would not be

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deductible if Section 162(m)(5) were to apply to the Company. This requirement effectively limits deductible compensation paid to the named executive officers to \$500,000.

### Accounting Considerations

Accounting considerations play an important role in the design of our executive compensation program. Accounting rules require us to expense the fair value of restricted stock awards and the estimated fair value of our stock option grants which reduces the amount of our reported profits. The Compensation Committee considers the amount of this expense in determining the amount of equity compensation awards.

### Effect of Shareholder Advisory Vote

Last year, in a non-binding advisory vote, the Company's shareholders approved the Company's compensation plan for its Chief Executive Officer, Chief Financial Officer, and other three most highly paid executives. The Compensation Committee considered this when determining compensation for its senior executive officers for fiscal year 2011. The Compensation Committee will consider the results of the shareholder vote on executive compensation at the Company's 2011 annual meeting in finalizing planning 2012 compensation.

### Summary of Cash and Certain Other Compensation

The following table provides certain summary information concerning the compensation earned, by our Chief Executive Officer, and the four most highly compensated executive officers for services rendered in all capacities to us for the fiscal years ended December 31, 2010 and 2009 in their respective executive officer capacities with the Company and the Bank:

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Comp. (\$)	Total (\$)
(a)	(b)	(c)	(d)(1)	(e)	(f)	(g)	(h)(2)	(i)(3)	(j)
<b>Ronald C. Martin</b> Chief Executive Officer	2009	\$ 254,960	\$ 11,875				\$ 64,361	\$ 23,123	\$ 354,319
	2010	\$ 254,960	\$ 0				\$ 77,026	\$ 54,283	\$ 386,269
<b>Christopher M. Courtney</b> President	2009	\$ 192,750	\$ 11,875				\$ 38,343	\$ 34,359	\$ 277,327
	2010	\$ 192,750	\$ 46,261				\$ 40,708	\$ 33,984	\$ 313,703
<b>Richard A. McCarty</b> Executive Vice President, Chief Financial Officer,	2009	\$ 163,825	\$ 9,738				\$ 29,677	\$ 19,993	\$ 223,233
	2010	\$ 163,825	\$ 39,317				\$ 31,508	\$ 15,946	\$ 250,596

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Chief Administrative Officer  
and Secretary

<b>David S. Harvey</b>	2009	\$	144,200	\$	7,125	\$	33,736	\$	30,902	\$	215,963
Executive Vice	2010	\$	144,200	\$	25,956	\$	37,676	\$	34,547	\$	242,378

President/Commercial  
Lending

<b>Michael J. Rodrigues</b>	2009	\$	133,250	\$	4,750	\$	7,673	\$	31,665	\$	177,338
Executive Vice	2010	\$	133,250	\$	23,985	\$	8,570	\$	32,815	\$	199,269

President/Chief Credit  
Officer

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(1) The amounts in column (d) include the following:

Amounts shown for Mr. Martin include for 2009, \$11,875 representing bonus paid corresponding to 2008 bonus accrual.

Amounts shown for Mr. Courtney include (a) for 2009, \$11,875 representing bonus paid corresponding to 2008 bonus accrual; and (b) for 2010, \$46,261 representing bonus paid corresponding to 2009 bonus accrual.

Amounts shown for Mr. McCarty include (a) for 2009, \$9,738 representing bonus paid corresponding to 2009 bonus accrual; and (b) for 2010, \$39,317 representing bonus paid corresponding to 2009 bonus accrual.

Amounts shown for Mr. Harvey include (a) for 2009, \$7,125 representing bonus paid corresponding to 2009 bonus accrual; and (b) for 2010, \$25,956 representing bonus paid corresponding to 2009 bonus accrual.

Amounts shown for Mr. Rodrigues include (a) for 2009, \$4,750 representing bonus paid corresponding to 2009 bonus accrual; and (b) for 2010, \$23,985 representing bonus paid corresponding to 2009 bonus accrual.

(2) The Company did not adopt or award any new pension or retirement benefits to the named executive officers in 2010. The amounts shown in column (h) for 2010 represent the executive salary continuation plan accrual from December 31, 2009 to December 31, 2010. The amounts in column (h) were determined using interest rate and mortality rate assumptions consistent with those used in the Company's consolidated financial statements and include amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested. Assumptions used in the calculation of these amounts are included in Note 20 to the Company's consolidated financial statements for the fiscal year ended December 31, 2010 included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2011.

(3) The amounts shown in column (i) in 2010 include the following for each named executive:

	Common Stock Dividends Paid on Unvested Restricted Stock	Economic Value of Death Benefit of Life Insurance for Beneficiaries	401(k) Plan Company Matching Contributions	Other Insurance Benefit	Employee Stock Ownership Plan Company Contributions	Vacation	Severance	Auto Compensation
<b>Ronald C. Martin</b>	\$	2,895	\$ 13,950	\$		\$ 28,438	\$	\$ 9,000
<b>Christopher M. Courtney</b>	\$	576	\$ 10,781	\$		\$ 14,827	\$	\$ 7,800
<b>Richard A. McCarty</b>	\$	270	\$	\$		\$ 7,876	\$	\$ 7,800
<b>David S. Harvey</b>	\$	1,300	\$ 16,500	\$		\$ 11,647	\$	\$ 5,100

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<b>Michael J. Rodrigues</b>	\$	434	\$	10,800	\$	16,480	\$	5,100
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The economic value of the death benefit amounts shown above reflects the annual income imputed to each executive in connection with Company-owned split-dollar life insurance policies for which the Company has fully paid the applicable premiums. These policies are discussed under Salary Continuation Agreements .

*Emergency Economic Act of 2008 and American Recovery and Reinvestment Act of 2009.* All of the executive officers entered into EESA compliance agreements as of September 14, 2009 pursuant to which the payment of any amounts or any benefit to each such named executive officer is subject to the requirements of EESA and ARRA and any regulations promulgated thereunder by the U.S. Treasury so long as the U.S. Treasury owns any shares of the Company s Series A Preferred Stock.

**Plan Based Awards**

*Stock Based Plans.* The Company currently has two equity based incentive plans, the Oak Valley Community Bank 1998 Restated Stock Plan and the Oak Valley Bancorp 2008 Stock Option Plan. The 2008 Stock Plan provides for awards in the form of incentive stocks, non-statutory stock options, Stock appreciation rights, and restrictive stocks. No stock options or other stock awards were granted to the named executive officers in 2010.

## Outstanding Equity Awards

The following table shows the number of Company shares of common stock covered by exercisable and unexercisable stock options and the number of Company unvested shares of restricted common stock held by the Company's named executive officers as of December 31, 2010.

### Outstanding Equity Awards at Year End

Name (a)	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Options Exercise Price (\$) (e)	Options Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g)	Market Value of Shares or Units of Stock That Have Not Vested (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (j)
<b>Ronald C. Martin</b>	33,750(1)			\$ 7.56	3/17/2014				
<b>Christopher M. Courtney</b>	33,750(2)			\$ 7.56	3/17/2014				
<b>Richard A. McCarty</b>	22,500(3)			\$ 7.56	3/17/2014				
<b>David S. Harvey</b>	10,562(4)			\$ 4.00	6/3/2012				
	6,750(5)			\$ 4.08	7/1/2012				
	11,250(1)			\$ 7.56	3/17/2014				
<b>Michael J. Rodrigues</b>	1,687(6)			\$ 3.26	3/17/2011				
	6,750(7)			\$ 4.08	7/1/2012				
	11,250(8)			\$ 7.56	3/17/2014				

(1) The options vested 20% annually over five years beginning on 3/17/2004 and have a term of 10 years.

(2) The options vested 20% annually over five years beginning on 3/17/2004 and have a term of 10 years.

(3) The options vested 20% annually over five years beginning on 3/17/2004 and have a term of 10 years.

(4) The options vested 20% annually over five years beginning on 6/3/2002 and have a term of 10 years.

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- (5) The options vested 20% annually over five years beginning on 7/1/2002 and have a term of 10 years.
- (6) The options vested 20% annually over five years beginning on 3/17/2001 and have a term of 10 years.
- (7) The options vested 20% annually over five years beginning on 7/1/2002 and have a term of 10 years.
- (8) The options vested 20% annually over five years beginning on 3/17/2004 and have a term of 10 years.

**Option Exercises and Vested Stock Awards**

The following table sets forth information with regard to the exercise and vesting of stock options and vesting of shares of restricted stock for the year ended December 31, 2010, for each of the named executive officers.

**Option Exercises and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized upon Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
(a)	(b)	(c) (1) (2)	(d)	(e)
<b>Ronald C. Martin</b>	20,250	\$ 32,298		\$
<b>Christopher M. Courtney</b>		\$		\$
<b>Richard A. McCarty</b>		\$		\$
<b>David S. Harvey</b>		\$		\$
<b>Michael J. Rodrigues</b>		\$		\$

(1) The value realized of shares acquired on exercise was determined by subtracting the exercise price from the fair market value of the common stock on the exercise date multiplied by the number of shares acquired on exercise

(2) Options granted under our Stock Plans. Exercisable refers to those options which were both exercisable and vested while Unexercisable refers to those options which were unvested.

**Salary Continuation Agreements**

Company-owned split-dollar life insurance policies support the Company's obligations under each Salary Continuation Agreement. The premiums on the policies are paid by the Company. The cash value accrued on the policies supports the payment of the supplemental benefits for each participant. In the case of death of the participant, the participant's designated beneficiaries may receive up to 100% of the net-at-risk insurance (which means amount of the death benefit in excess of the cash value of the policy).

The following table shows the present value of the accumulated benefit payable to each of the named executive officers, including the number of service years credited to each named executive officer under the salary continuation agreements:

Explanation of Responses:



## Accumulated Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit(1)(2) (\$)	Payments During Last Fiscal Year (\$)
(a)	(b)	(c)	(d)	(e)
Ronald C. Martin		18	\$ 222,764	\$ 0
Christopher M. Courtney		9	\$ 340,849	\$ 0
Richard A. McCarty		9	\$ 254,583	\$ 0
David S. Harvey		2	\$ 101,534	\$ 0
Michael J. Rodrigues		2	\$ 23,094	\$ 0

(1) The amounts in column (d) were determined using interest rate and mortality rate assumptions consistent with those used in the Company's consolidated financial statements and include amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested. Assumptions used in the calculation of these amounts are included in Note 20 to the Company's consolidated financial statements for the fiscal year ended December 31, 2010, included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2011.

(2) The following vesting percentages apply to the named executive officers:

End of the year prior to termination	Ronald C. Martin	Christopher M. Courtney	Richard A. McCarty	David S. Harvey	Michael J. Rodrigues
12/31/2011	100%	100%	100%	0%	0%
12/31/2012	100%	100%	100%	0%	0%
12/31/2013	100%	100%	100%	20%	20%
12/31/2014	100%	100%	100%	40%	40%

## Change of Control Arrangements and Termination of Employment

In connection with the Company's participation in the TARP Capital Purchase Program, the Company agreed that, until such time as the U.S. Treasury ceases to own the Series A Preferred Stock acquired under the program, the Company will take all necessary action to ensure that its benefit plans with respect to its senior executive officers comply with Section 111(b) of EESA and agreed to not adopt any benefit plans with respect to, or which covers, its senior executive officers that do not comply with EESA. The subsequent enactment of ARRA, and issuance of rules and regulations issued by the U.S. Treasury in June 2009, has amended, and in some cases expanded, upon provisions of Section 111(b) of EESA. These provisions prohibit any payment of golden parachutes (as defined by the U.S. Treasury regulation) to the named executive officers or the five next highly-compensated employees for departure from our Company for any reason, except for death, disability or payments for services performed or benefits accrued.

**Director Compensation**

This section provides information regarding the compensation policies for non-employee directors and amounts paid to these directors in 2010.

*Overview*

Our director compensation is designed to attract and retain qualified, independent directors to represent our shareholders on the Board and act in their best interests. The Compensation Committee, which consists solely of independent directors, has primary responsibility for reviewing and recommending any changes our director compensation program. All recommended compensation changes required approval or ratification by the full Board of Directors. Compensation for the members of our Board is reviewed periodically by the Compensation Committee.

Our Board of Directors includes two Company officers: Mr. Ronald A. Martin, who serves as Chief Executive Officer; and Mr. Christopher M. Courtney, who serves as the President of the Company. As senior executive officers, information regarding the compensation of Mr. Martin and Mr. Courtney can be found in the Compensation Discussion and Analysis and the executive compensation disclosure tables provided within this Proxy.

*Director Fees*

Non-employee Directors receive a cash retainer in the amount of \$2,000 per month. Directors who are employees do not receive any compensation for service as director.

The following table provides compensation information for the year ended December 31, 2010 for each non-employee Director of the Company at that time.

**Director Compensation Table**

Name	Fees Earned or Paid in Cash	Stock Awards	Options Awards	Non-Equity Incentive Plan Compensation	Change in Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
(a)	(b)	(c)	(d)	(e)	(f)(1)	(g)	(h)
<b>Donald L. Barton</b>	\$ 24,000		\$		\$ 1,627	\$	\$ 25,627
<b>James L. Gilbert</b>	\$ 24,000		\$		\$ 6,504	\$	\$ 30,504
<b>Thomas A. Haidlen</b>	\$ 24,000		\$		\$ 4,945	\$	\$ 28,945
<b>Michael Q. Jones</b>	\$ 24,000		\$		\$ 7,279	\$	\$ 31,279
<b>Roger M. Schrimp</b>	\$ 24,000		\$		\$ 10,545	\$	\$ 34,545
<b>Danny L. Titus</b>	\$ 24,000		\$		\$ 6,364	\$	\$ 30,364
<b>Richard J. Vaughan</b>	\$ 24,000		\$		\$	\$	\$ 24,000



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(1) The Company did not adopt or award any new pension or retirement benefits to the directors in 2010. The amounts shown in column (f) for 2010 represent the director retirement agreements accrual from December 31, 2009 to December 31, 2010. The amounts in column (f) were determined using interest rate and mortality rate assumptions consistent with those used in the Company's consolidated financial statements and include amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested. Assumptions used in the calculation of these amounts are included in Note 20 to the Company's consolidated financial statements for the fiscal year ended December 31, 2010 included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2011.

*Stock Options*

None of the independent directors was granted any stock options during 2010. As of December 31, 2010, the independent directors held outstanding, fully exercisable stock options to purchase the following amounts of our common stock, all with exercise prices ranging from \$7.51 to \$ 13.25 per share, and all with expiration dates no later than 2016.

<b>Non-Employee Directors</b>	<b>Options</b>
Donald L. Barton	4,000
James L. Gilbert	0
Thomas A. Haidlen	0
Michael Q. Jones	4,500
Roger M. Schrimp	0
Danny L. Titus	0
Richard J. Vaughan	0

*Director Retirement Agreements; Bank-Owned Life Insurance Policies*

On August 21, 2001, the Board of Directors of the Bank authorized Director Retirement Agreements with each director. The Company assumed the Director Retirement Agreements upon its reorganization with the Bank in May 2008, as the same individuals who served as directors of the bank became directors of the Company.

The Director Retirement Agreements are intended to encourage existing directors to remain directors, assuring us that we will have the benefit of the directors' experience and guidance in the years ahead.

For retirement after the later of age 72 or five years of service (the Normal Retirement Age), the Director Retirement Agreements provide an annual benefit during the director's lifetime of \$12,000 for 10 years. If a director retires or becomes disabled before the Normal Retirement Age, he will receive a lump-sum payment in an amount equal to the retirement liability balance accrued by the Bank at the time of early retirement or disability.

If a change in control occurs (as defined in the Director Retirement Agreements) and a director's service terminates within 24 months after the change in control, the director will receive the retirement liability balance accrued and payable to the director for retirement at the Normal Retirement Age.

In December of 2001, the Bank purchased insurance policies on the lives of its directors, paying the premiums for these insurance policies with one lump-sum premium payment of approximately \$1,045,000. Although the Bank expects the policies on the directors' lives to serve as a source of funds for benefits payable under the Director Retirement Agreements, the contractual entitlements arising under the Director Retirement Agreements are not funded and remain contractual liabilities of the Bank, payable upon each director's termination of service.

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The policy interests are divided between us and each director. Under Bank's Split Dollar Agreements and Split Dollar Policy endorsements with the directors, we are entitled to any insurance policy death benefits remaining after payment to the director's beneficiary. We expect to recover the premium in full from its portion of the policies' death benefits.

If a director is terminated for cause, we will not pay any benefits under his Director Retirement Agreement. For this purpose, the term "cause" means a director's gross negligence or gross neglect of duties,

fraud, disloyalty, dishonesty or willful violation of law or significant Company policies in connection with the director's service that results in an adverse effect on us.

The following table shows the present value of the accumulated benefit payable to each director who has a director compensation benefit agreement, including the number of service years credited to each director under the supplemental executive retirement plan.

#### Accumulated Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit(1)(2) (\$)	Payments During Last Fiscal Year (\$)
(a)	(b)	(c)	(d)	(e)
Donald L. Barton		3	\$ 4,385	\$
James L. Gilbert		19	\$ 36,808	\$
Thomas A. Haidlen		19	\$ 27,795	\$
Michael Q. Jones		6	\$ 19,617	\$
Roger M. Schrimp		19	\$ 60,260	\$
Danny L. Titus		18	\$ 35,995	\$
Richard J. Vaughan		19	\$ 90,524	\$

(1) The amounts in column (d) were determined using interest rate and mortality rate assumptions consistent with those used in the Company's consolidated financial statements and include amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested. Assumptions used in the calculation of these amounts are included in Note 20 to the Company's consolidated financial statements for the fiscal year ended December 31, 2010, included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2011.

(2) The following vesting percentages apply to the directors:

End of the year prior to termination	Donald L. Barton	James L. Gilbert	Thomas A. Haidlen	Michael Q. Jones	Roger M. Schrimp	Danny L. Titus	Richard J. Vaughan
12/31/2010	0%	100%	100%	40%	100%	100%	100%
12/31/2011	0%	100%	100%	60%	100%	100%	100%
12/31/2012	20%	100%	100%	80%	100%	100%	100%
12/31/2013	40%	100%	100%	100%	100%	100%	100%
12/31/2014	60%	100%	100%	100%	100%	100%	100%



**MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING**

**PROPOSAL NO. 1  
ELECTION OF DIRECTORS OF THE COMPANY**

The Bylaws of the Company provide that the Board will consist of not less than seven (7) and not more than thirteen (13) directors. The number of directors is set by the Board and is currently set at nine (9).

The Board of Directors proposes that the following three (3) nominees, all of whom are currently serving as Directors of the Company and the Bank, be re-elected until their successors are duly elected and qualified. Each of the nominees has consented to serve if elected. If any of them becomes unavailable to serve as a Director before the Annual Meeting, the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board. Unless you indicate on the Proxy Card that your vote should be withheld from any or all of the nominees, your proxies will be voted for the election of each of these nominees.

The following is a brief account of the business experience, including experience during the past five years, of each nominee.

**Christopher M. Courtney, 48**, has been the Bank's President since August of 2004 and a director since January 2007. He has been Oak Valley Bancorp President and Director since May 2008. Previously, he has served as the Bank's Chief Credit Officer and Chief Operating Officer since 1999 and 2000, respectively. Mr. Courtney has 20 years of diverse banking experience, joining Oak Valley Community Bank in 1996, as a lender, after working for a major bank, a mid-size bank and a small community bank. He graduated from Wells Fargo Bank Credit Training Program in 1989. Mr. Courtney has a B.S. in Finance and a Masters in Business Administration from California State University, Sacramento. He is also a graduate of the Pacific Coast Banking School at the University of Washington. Mr. Courtney adds banking and operations experience to the Board.

**Michael Q. Jones, 65**, has been a director of the Bank since 2004 and of Oak Valley Bancorp since 2008. Mr. Jones has been a resident of Sonora since 1974. Mr. Jones has served as the Chairman of California Gold Development Corporation since 1974, and has been the owner of the Prudential California Realty in Sonora since 2002. Mr. Jones brings knowledge of the real estate markets to the Board.

**Richard J. Vaughan, 73**, has been a director of the Bank since 1991 and of Oak Valley Bancorp since 2008. Mr. Vaughan owns Vaughan Farms, operating in Waterford and Oakdale, California. Mr. Vaughan has been involved with agribusiness since 1961. Mr. Vaughan helps the Board understand the banking needs of the local agricultural industry.

The Bylaws of the Company, as amended, authorize the Company to have a classified Board of Directors so long as the number of directors of the Company has been fixed at nine (9) or more directors. Pursuant to that provision, each year only three (3) directors then in office would be subject to nomination and election. Accordingly, each nominee director, if elected, will hold office as follows until his successor is duly elected and qualified for the following terms:



Nominees		Expiration of Term
Richard J.	Vaughan	2011(1)
Christopher M.	Courtney	2011(1)
Michael Q.	Jones	2011(1)

**Directors Continuing in Office**

Roger M.	Schrimp	2013
James L.	Gilbert	2013
Danny L.	Titus	2013
Ronald C.	Martin	2012
Thomas A.	Haidlen	2012
Donald L.	Barton	2012

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(1) Assuming re-election on June 9, 2011.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS. ONLY THOSE VOTES CAST FOR ARE INCLUDED, WHILE VOTES AGAINST , ABSTENTIONS AND BROKER NON-VOTES ARE NOT INCLUDED.**



**PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The firm of Moss Adams, LLP in Stockton, California which served the Company as independent registered public accounting firm for 2010, has been selected by the Audit Committee of the Board of Directors of the Company to be the Company's independent registered public accounting firm for 2011. All Proxies will be voted FOR ratification of such selection unless authority to vote for the ratification of such selection is withheld or an abstention is noted. If the nominee should unexpectedly for any reason decline or be unable to act as independent public accountants, the Proxies will be voted for a substitute nominee to be designated by the Audit Committee.

Representatives from the accounting firm of Moss Adams, LLP will be present at the meeting, will be afforded the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

**Audit Fees**

The following presents fees billed for the years ended December 31, 2010 and 2009 for professional services rendered by the Company's independent registered public accounting firm in connection with the audit of the Company's consolidated financial statements and fees billed by the Company's independent registered public accounting firm for other services rendered to the Company.

The following table presents fees for professional services rendered by Moss Adams LLP and billed to the Bank for the audit of the Bank's annual financial statements for the years ended December 31, 2010 and 2009, and fees for other services billed by Moss Adams during those periods:

Fees	2010	2009
Audit Fees	\$ 118,500	\$ 141,339
Audit-related Fees		
Tax Fees	\$ 54,102	\$ 47,138
All other Fees	\$ 1,324	\$ 4,550
Total	\$ 173,926	\$ 193,027

*Audit Fees.* Annual audit fees relate to services rendered in connection with the audit of the annual financial statements included in our annual report.

*Audit-Related Fees.* Audit-related services include fees for consultations concerning financial accounting and reporting matters.

*Tax Fees.* Tax services include fees for tax compliance, tax advice and tax planning.

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*All Other Fees.* The increase in all other fees is primarily attributable to tax advising work in the areas of enterprise zone and costs aggregation work.

The Audit Committee has determined that the provision of services, in addition to audit services, rendered by Moss Adams and the fees paid therefore in fiscal years 2010 and 2009 were compatible with maintaining Moss Adams independence.

The Audit Committee pre-approves all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent registered public accounting firm,

subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit.

### **Audit Committee Report**

The Audit Committee reports as follows with respect to the audit of our fiscal 2010 audited financial statements. Management is responsible for the Company's internal controls and the financial reporting process.

The Audit Committee is comprised of five independent directors and responsible for providing independent, objective oversight of the Company's accounting, financial reporting and internal controls. Members of the Audit Committee are independent as defined by SEC and NASDAQ standards. A financial expert, as defined by SEC rules, chairs the Audit Committee. The Audit Committee is responsible for the appointment, compensation, retention and oversight of the independent registered public accountants.

The Audit Committee meets and holds discussion with management and its independent registered public accountants, Moss Adams, LLP. The Audit Committee has read and discussed the audited financial statements for fiscal year 2010 with management and Moss Adams. The Chief Executive Officer and the Chief Financial Officer have certified that, based on their knowledge, the financial statements and other financial information included in the annual SEC Form 10-K report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company. Also, the Audit Committee has discussed with management and Moss Adams, management's assertion of the effectiveness of the Company's internal controls as they related to financial reporting.

Discussion were also held with Moss Adams concerning matters required by the Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Company's independent auditors also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with Moss Adams that firm's independence and considered the compatibility of non-audit services with Moss Adams' independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors the inclusion of the audited financial statements in the Company's Annual Report for the year ended December 31, 2010 on SEC Form 10-K.

The Audit Committee has discussed with management and Moss Adams, independence issues regarding the fees that were billed by Moss Adams during the fiscal year 2010. The Audit Committee approved audit, audit-related and tax services.

Submitted by the Audit Committee of the Board on March 30, 2011:

Roger M. Schrimp (Chairman)

Thomas A. Haidlen

Explanation of Responses:

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Donald L. Barton

Danny L. Titus

Richard J. Vaughan

*The Audit Committee report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or the Securities Act of 1934, and shall not otherwise be deemed filed under these acts.*

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE SELECTION OF MOSS ADAMS, LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

**PROPOSAL 3 NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION**

As a result of our participation in the TARP Capital Purchase Program, we are subject to the provisions of the Emergency Economic Stabilization Act of 2008 (EESA), which was subsequently amended by Article VII of the American Recovery and Reinvestment Act of 2009 (ARRA) to provide additional executive compensation requirements. As a result, we are required to include in this Proxy Statement and present at the meeting a non-binding shareholder vote to approve the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC. This proposal, commonly known as a say-on-pay proposal, gives shareholders the opportunity to endorse or not endorse the compensation of the Company's executives as disclosed in this Proxy Statement. The proposal will be presented at the annual meeting in the form of the following resolution:

**RESOLVED, that the shareholders approve the compensation of Oak Valley Bancorp's named executive officers, as disclosed in the Compensation Discussion and Analysis, the compensation tables and related material in Oak Valley Bancorp's Proxy Statement for the 2011 annual meeting of shareholders.**

This vote will not be binding on our Board of Directors or Compensation Committee and may not be construed as overruling a decision by the Board or create or imply any additional fiduciary duty on the Board. It will also not affect any compensation paid or awarded to any executive. The Compensation Committee and the Board may, however, take into account the outcome of the vote when considering future executive compensation arrangements.

The Board of Directors believes that the Company's compensation policies and procedures are centered on a pay-for-performance culture and are strongly aligned with the long-term interests of shareholders, and, accordingly, recommends a vote in favor of this proposal.

In the event this non-binding proposal is not approved by our shareholders, such a vote shall not be construed as overruling a decision by the Board of Directors or Compensation Committee, nor create or imply any additional fiduciary duty by the Board of Directors or Compensation Committee, nor shall such a vote be construed to restrict or limit the ability of our shareholders to make proposals for inclusion in proxy materials related to executive compensation. Notwithstanding the foregoing, the Board of Directors and Compensation Committee will consider the non-binding vote of our shareholders on this proposal when reviewing compensation policies and practices in the future.

**Compensation Committee Report**

*Compensation Discussion and Analysis.* The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 401(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

*Risk Assessment of Incentive Compensation Arrangements.* In connection with its participation in the U.S. Treasury Capital Purchase Program, the Compensation Committee is required to meet at least every six months with the Company's senior risk officers to discuss and review the relationship between the Company's risk management policies and practices and its senior executive officers (SEOs) incentive compensation arrangements, identifying and making reasonable efforts to limit any features in such compensation arrangements that might lead to the SEOs taking unnecessary or excessive risks that could threaten the value of the Company. The Compensation Committee, on behalf of the Company,

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must certify that it has completed the review and taken any necessary actions.

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In response to this requirement, the Compensation Committee meets with the senior risk managers of the Company (including its Chief Executive Officer, President, Chief Financial Officer, Chief Credit Officer and Executive Vice President/Commercial Lending). The Compensation Committee discusses the overall risk structure and the significant risks identified within the Company, and discusses the process by which those present at the meeting analyze the risks associated with the executive compensation program. This process includes, among other things, a review of the Company's programs and discussions with the Compensation Committee's independent compensation consultant about the structure of the Company's overall executive compensation program. This review includes the compensation potential under the Company's incentive plans, the long-term view encouraged by the design and vesting features of the Company's long-term incentive arrangements, and the extent to which the Compensation Committee and the Company's management monitor the program. The Compensation Committee also identifies areas of enterprise risk of the Company and evaluates the degree to which participants in a plan perform functions that have the potential to significantly affect overall enterprise risk. The Compensation Committee then analyzes the extent to which design features have the potential to encourage behaviors that could significantly contribute to enterprise risk.

Our SEOs participate in the 2008 Stock Plan.

Based on its review (the most recent in March 30, 2011), the Compensation Committee has determined that the Company's executive compensation program does not encourage the SEOs to take unnecessary and excessive risks that threaten the value of the Company, and that no changes to these plans were required for this purpose.

Among the factors the Compensation Committee considered were the following:

- Vesting of stock options has historically been tied to tenure of employment and not tied to Company or individual performance. Stock options are subject to clawback provisions.
- The Compensation Committee generally targets the median of peer practice to generally limit total direct compensation.

In addition to the incentive plans in which our SEOs participate, the Company has incentive programs for other officers and branch employees which reward performance. The Compensation Committee reviewed all non-SEO programs, and concluded that none of them, considered individually or as a group, presented any material threat to our capital or earnings, encouraged taking undue or excessive risks, or encouraged manipulation or financial data in order to increase the size of an award. The rewards offered are typically based on subjective criteria and are not tied directly to Company performance. Several other plans reward loan production. Internal controls with different levels of review and approvals are designed to prevent manipulation to increase an award.

*Certification.* As required by the U.S. Treasury Capital Purchase Program, the Compensation Committee certifies that it has (i) reviewed with senior risk officers the 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 the Company; (ii) reviewed with senior risk officers the Company's employee compensation plans and has made all reasonable efforts to limit any unnecessary risks these plans pose to the Company; and (iii) reviewed the Company's employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of the Company to enhance the compensation of any employee.





*Compensation Committee of the Board*

Roger M. Schrimp (Chairman)

Donald L. Barton

James J. Gilbert

Thomas A. Haidlen

Michael Q. Jones

Danny L. Titus

Richard J. Vaughan

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL ON APPROVAL OF A NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION.**

**PROPOSAL 4 SHAREHOLDER PROPOSAL**

Robert P. Laukat of 23340 Lakewood Drive, Twain Harte, California 95383, telephone number (209) 586-7734, owning 3,346 shares of our common stock, has given notice that he intends to present the following proposal at the annual meeting. The proposal will be voted on only if properly presented at the annual meeting. In accordance with rules of the SEC, the text of Mr. Laukat's resolution and supporting statement is printed verbatim from his submission and we take no responsibility for them. To ensure that readers can easily distinguish between the materials provided by the proponent and the materials provided by the Company, we have placed a box around materials provided by the proponent.

**Shareholder Proposal**

**RESOLVED:** That the shareholders of Oak Valley Bank Corp, as assembled in Annual Meeting in person and by proxy, hereby request the Board of Directors to take the necessary steps to provide for cumulative voting in the election of directors, which means each shareholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate or any two or more candidates as he or she may see fit.

**REASONS:** Many states have mandatory cumulative voting, so do National Banks.

In addition, many corporations have adopted cumulative voting.

If the Board enacted this proposal it would make it much easier for a concerned stockholder to obtain a seat on the Board of Directors.

Please vote yes on this proposal.

**Board of Directors Statement in Opposition**

The Board of Directors is committed to strong corporate governance and monitors current issues and trends on an ongoing basis. Cumulative voting in director elections continues to receive attention and has been the subject of public debate. Although a number of companies have adopted this standard in uncontested director elections, the Board believes it is not in the best interests of Oak Valley Bancorp or its shareholders at this time to amend Oak Valley Bancorp's Articles of Incorporation and Bylaws to provide for the election of directors in uncontested director elections by cumulative voting. The issues raised by cumulative voting are significant and would introduce risks into Oak Valley Bancorp's effective corporate governance structure while not necessarily improving the Board's performance or its accountability to shareholders, as suggested by the proponent. In the Board's view, before this standard can be further considered these issues need to be more fully addressed and clarified.

Explanation of Responses:



Oak Valley Bancorp uses the plurality vote standard to elect directors, like many other companies. Under this standard, which is the default method of voting under California law, nominees who receive the most affirmative votes are elected to the Board. Plurality voting ensures that all open positions are filled at each election. Oak Valley Bancorp's current plurality vote standard and corporate governance structure, accomplish the primary objective of this proposal, allowing shareholders to express dissatisfaction with the Board by withholding votes for certain directors or by proposing nominees to the Board. Importantly, the current plurality vote standard allows Oak Valley Bancorp to maintain a stable Board of experienced and knowledgeable directors while evaluating an appropriate response to shareholder dissatisfaction.

Given Oak Valley Bancorp's strong corporate governance practices, the Board of Directors believes this proposal is unnecessary. The Board maintains a Board Governance and Nominating Committee that is comprised entirely of independent directors. As described under "Corporate Governance and Board Matters" above, the Committee maintains and applies a robust set of criteria in selecting candidates for election to the Board and considers candidates recommended by shareholders in the same manner as other candidates. This process has resulted in a Board that is comprised of highly qualified directors from diverse backgrounds, a majority of whom are independent under NASDAQ rules. Shareholders have demonstrated their support for the Board of Directors and its nominees, electing each director nominee by a significant majority of the shares voted in elections during the past twenty years.

Oak Valley Bancorp is a strong company and during these challenging economic times has had stronger capital, better earnings and lower nonperforming assets than many of our peers. We attribute our success to the leadership of our strong Board and management.

The Board of Directors believes that this is not the right time to adopt a cumulative voting standard in the election of directors as a result of the uncertainty regarding proxy access. In August 2010, the SEC adopted final rules which would require companies to include in their proxy statements director nominees of shareholders meeting certain eligibility requirements. However, in October 2010, the SEC stayed the effectiveness of the proxy access rules, pending the result of judicial review after a lawsuit was filed challenging the legality of the rules. Accordingly, the Board of Directors believes that it is in the best interests of Oak Valley Bancorp and its shareholders to wait until the issues surrounding proxy access have been settled. If shareholders have the opportunity to make their own director nominees, a cumulative voting standard may be unnecessary. The Board does not believe it would be productive to devote resources to crafting cumulative voting provisions and going through the process of asking shareholders to consider the provisions when legislation may vitiate the need for a cumulative vote standard before the Securities and Exchange Commission rules on proxy access are finalized and enacted.

The Board is fully committed to strong corporate governance and it is the Board's fiduciary duty to act in the best interests of Oak Valley Bancorp's shareholders. In the Board's view, however, this proposal would not necessarily enhance the ability of shareholders to impact the outcome of director elections, nor would it influence director accountability. The Board therefore does not believe that this proposal is in the best interests of Oak Valley Bancorp or its shareholders at this time. The Board will continue to follow the debate and monitor developments, and, if appropriate and in the best interests of Oak Valley Bancorp's shareholders, will take further action to maintain its commitment to high standards of corporate governance. At the present time, however, the Board does not believe it would be wise to alter its plurality-based director election process, which we believe has served all shareholders, including the proponent, well to date.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THE SHAREHOLDER PROPOSAL.**

**OTHER INFORMATION**

**Other Business Matters**

We have received no notice any other items submitted for consideration at the Annual Meeting and except for reports of operation and activities by management, which are for information purpose only and require no action of approval or disapproval, management neither knows of nor contemplates any other business that will be presented for action by the shareholders at the Meeting. If any further business is properly presented at the Annual Meeting, the persons named as proxies will act in their discretion on behalf of the shareholders they represent.

**Shareholders Proposals for 2012 Meetings**

Any shareholder who intends to present a proposal at the 2012 Annual Meeting, other than a director nomination, must deliver the written proposal to the Chief Financial Officer at 125 North Third Avenue, Oakdale, California 95361 no later than December 31, 2011, if the proposal is to be submitted for inclusion in our proxy materials pursuant to Rule 14a-8 under the Securities Exchange Act of 1934. A shareholder must include proof of ownership of Oak Valley's common stock in accordance with Rule 14a(8)(b)(2). We encourage any stockholder interested in submitting a proposal to contact the Chief Financial Officer in advance of this deadline to discuss the proposal. Shareholders may also want to consult knowledgeable counsel with regard to the detailed requirements of applicable securities rules.

**Additional Proxy Material**

A copy of our 2010 Annual Report (Form 10-K) is accessible at: [www.edocumentview.com/OVLY](http://www.edocumentview.com/OVLY). If you would like to receive a hard copy of the 2010 Annual Report, you may obtain one without charge by sending a request to by contacting:

<b>Methods:</b>	<b>If you are a shareholder of record:</b>	<b>If you are beneficial owner of shares held in street name:</b>
First Class/Registered/Certified Mail:	Computershare Investor Services 250 Royall Street Canton, MA 02021	Not available.
By Telephone:	Toll Free Telephone Number: 1-866-641-4276	Toll Free Telephone Number: 1-800-579-1639
From the Internet:	Go to <a href="http://www.investorvote.com/OVLY">www.investorvote.com/OVLY</a> , click Request Materials	Go to <a href="http://www.proxyvote.com">www.proxyvote.com</a> by following the instructions on the screen.
By Email	Write to <a href="mailto:investorvote@computershare.com">investorvote@computershare.com</a> with subject line: Proxy Materials Oak Valley Bancorp.	Send a blank email to <a href="mailto:sendmaterial@proxyvote.com">sendmaterial@proxyvote.com</a> with your 12-Digital Control Number in the subject line.

**No Incorporation by Reference of Certain Portions of this Proxy Statement**

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Notwithstanding anything to the contrary set forth in any of previous filings made under the Securities Act of 1933, as amended, or the Exchange Act that might incorporate future filings made by us under those statutes. Neither the Audit Committee Report nor the Compensation Committee Report is to be incorporated by reference into any such prior filings, nor is such report to be incorporated by reference into any future filings made by us under those statutes.

**ANNUAL MEETING OF SHAREHOLDERS OF  
OAK VALLEY BANCORP**

**JUNE 9, 2011**

**COMMON**

**PROXY VOTING INSTRUCTIONS**

**Internet** Access [www.investorvote.com](http://www.investorvote.com) and follow the on-screen instructions to obtain your identification number which will allow you to cast your vote.

**Telephone** Call toll free 1-800-652-8683 from any touch-tone telephone and follow the instructions to obtain your identification number which will allow you to cast your vote.

Vote online/phone until 11:00 PM PDT, June 8, 2011, the day before the meeting

**Mail** If you have requested a printed Proxy Material as provided on page 2 of the Proxy Statement, sign, date and mail your proxy card in the envelope provided as soon as possible.

**In Person** You may vote your shares in person by attending the Annual Meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIAL FOR THE SHAREHOLDERS MEETING TO BE HELD ON JUNE 9, 2011.** The Proxy Statement, Form 10-K for the year ended December 31, 2010 and the 2010 Annual Report to shareholders are available at [www.edocumentview.com/OVLY](http://www.edocumentview.com/OVLY)



**Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK.**

A. Voting Items

**Proposals The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposals 2 and 3.**

	For	Withhold
1. Election of Directors:		
01 Christopher M. Courtney	<input type="radio"/>	<input type="radio"/>
02 Michael Q. Jones	<input type="radio"/>	<input type="radio"/>
03 Richard J. Vaughan	<input type="radio"/>	<input type="radio"/>

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- |  | For                   | Against               | Abstain               |
|--|-----------------------|-----------------------|-----------------------|
| 2. To approve the proposal to ratify the appointment of Moss Adams, LLP as the independent registered public accounting firm for the Company's 2011 Fiscal year. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 3. To adopt a non-binding advisory vote approving executive compensation.  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 4. To adopt cumulative voting for the election of directors.   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| 5. In their discretion, the proxy holders are authorized to vote upon such other business as may properly come before the meeting.                               |                       |                       |                       |

B. Non-Voting Items

Change of Address Please print new address below. Meeting Attendance Mark box to the right if you plan to attend the Annual Meeting.

C. Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please date and sign exactly as your name(s) appears. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If more than one trustee, all should sign. All joint owners should sign.

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the box.

/ /

**ANNUAL MEETING OF SHAREHOLDERS OF  
OAK VALLEY BANCORP**

**JUNE 9, 2011**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned holder of Common Stock acknowledges receipt of a copy of the Notice of Annual Meeting of Shareholders of Oak Valley Bancorp, and the accompanying Proxy Statement dated April 28, 2011, and revoking any Proxy heretofore given, hereby constitutes and appoints Ronald Martin and Roger Schrimp each of them, with full power of substitution, as attorneys and Proxies to appear and vote all of the shares of Common Stock of Oak Valley Bancorp, a California corporation, standing in the name of the undersigned which the undersigned could vote if personally present and acting at the Annual Meeting of Shareholders of Oak Valley Bancorp, to be held at Oak Valley Bancorp Headquarter at 338 E F Street, Oakdale, California 95361 on June 9, 2011 at 4 p.m. or at any adjournments thereof, upon the following items as set forth in the Notice of Meeting and Proxy Statement and to vote according to their discretion on all other matters which may be properly presented for action at the meeting or any adjournments thereof. The above-named proxy holders are hereby granted discretionary authority to cumulate votes represented by the shares covered by this Proxy in the election of directors.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF DIRECTORS NOMINATED BY THE BOARD OF DIRECTORS AND FOR PROPOSALS NO. 2, AND 3, AND AGAINST PROPOSAL NO. 4. THE PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS MADE, IT WILL BE VOTED FOR THE ELECTION OF DIRECTORS NOMINATED BY THE BOARD OF DIRECTORS AND FOR PROPOSALS NO. 2 AND 3, AND AGAINST PROPOSAL NO. 4.**

**THIS PROXY IS SOLICITED BY, AND ON BEHALF OF, THE BOARD OF DIRECTORS AND MAY BE REVOKED PRIOR TO ITS EXERCISE.**

Appendix A

**CHARTER  
OF  
THE CORPORATE GOVERNANCE AND NOMINATING COMMITTEE  
OF  
OAK VALLEY BANCORP AND OAK VALLEY COMMUNITY BANK**

*(As adopted by the Board of Directors in October 2010)*

**I. PURPOSE**

The Corporate Governance and Nominating Committee (the *Committee*) of Oak Valley Bancorp and its subsidiary Oak Valley Community Bank (collectively, the *Company*), is a committee of the Board of Directors of Oak Valley Bancorp and its subsidiary Oak Valley Community Bank (collectively, the *Board*).

The purpose of the Committee is to review and make recommendations to the Board on matters concerning corporate governance; Board composition; identification, evaluation and nomination of director candidates; Board committees; and conflicts of interest.

In furtherance of these purposes, the Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board may from time to time prescribe.

**II. MEMBERSHIP**

The Committee members shall be appointed by, and shall serve at the discretion of, the Board. The Committee shall consist of no fewer than two members of the Board. The Board may designate one member of the Committee as its chair. Members of the Committee shall not have a relationship with the Company or its affiliates that may interfere with the exercise of their independence, and shall otherwise be deemed

Independent Directors as defined by (i) the listing standards of the Nasdaq Stock Market, Inc. Listing Rules (the *Nasdaq Rules*) and (ii) the rules of the SEC (including Rule 10A-3).

The members of the Committee, including the Chair of the Committee, shall be appointed by the Board. Committee members may be removed from the Committee, with or without cause, by the Board. Any action duly taken by the Committee shall be valid and effective, whether or not the members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership provided herein.



**III. RESPONSIBILITIES AND DUTIES**

The responsibilities and duties of the Committee shall include:

*Corporate Governance Generally*

- Reviewing annually the principles of corporate governance approved by the Board to ensure that they remain relevant and are being complied with, recommending changes to the Board as necessary;
- Reviewing proposed changes to the Company's Articles of Incorporation and Bylaws and making recommendations to the Board;
- Determining the manner in which shareholders may send communications to the Board (as a whole or individually), as well as the process by which shareholder communications will be relayed to the Board and what the Board's response, if any, should be and, until replaced by other procedures, the following shall be the process:

Written recommendations from shareholders for director nominees should be delivered to the Chair of the Committee.

In order for the Committee to adequately consider any shareholder recommendation, the recommendation should include an analysis of the proposed nominee under the criteria discussed above. In addition, the recommendation must include all information relating to the proposed director nominee that would be required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. The Committee will evaluate director nominees recommended by shareholders in the same manner as it evaluates other nominees. Recommendations received prior to any Committee meeting where director nominees are to be considered will be considered at such meeting.

Notwithstanding the foregoing with respect to shareholder recommendations, shareholder nominations for director must be submitted in accordance with the provisions of the Company's bylaws.

- Reviewing periodically the succession planning for the Chief Executive Officer and other executive officers, reporting its findings and recommendations to the Board, and working with the Board in evaluating potential successors to these executive management positions;
- Reviewing governance-related stockholder proposals, if any, and recommending Board responses;

Explanation of Responses:

- Overseeing compliance by the Board and its committees with applicable laws and regulations, including those promulgated by the Securities and Exchange Commission and, as appropriate, the Nasdaq Rules;



- Reviewing its own charter and processes on an annual basis;

***Board Composition, Evaluation and Nominating Activities***

- Overseeing the Board evaluation process including conducting periodic evaluations of the performance of the Board as a whole and each Board committee and evaluating the performance of Board members eligible for re-election;
- Reviewing and making recommendations to the Board regarding the composition and size of the Board and determine the relevant criteria (including any minimum qualifications) for Board membership including issues of character, integrity, judgment, diversity, age, independence, skills, education, expertise, business acumen, business experience, length of service, understanding of the Company's business, other commitments and the like;
- Reviewing annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and shall identify for the Board those directors who have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company);
- In appropriate circumstances, the Committee, in its discretion, shall consider and may recommend the removal of a director for cause, in accordance with the applicable provisions of the Company's articles of incorporation and bylaws;
- Establishing procedures for the submission of candidates for election to the Board (including recommendations by stockholders of the Company);
- Establishing procedures for identifying and evaluating nominees for Director;
- Reviewing and recommending candidates for election to the Board at the annual meeting of shareholders in compliance with the Company's policies and procedures for consideration of Board candidates;
- Identifying, considering and recommending candidates to fill new positions or vacancies on the Board; in performing these duties, the Committee shall have the authority, at the Company's expense, to retain and terminate any search firm to be used to identify Board candidates and shall have authority to approve the search firm's fees and other retention terms;

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- Reviewing the required disclosure, if applicable, included in the Company's annual public filings regarding the Company's nomination process;
- Making recommendations for continuing education of Board members;

***Board Committees***

- Periodically reviewing the charter and composition of each Board committee and making recommendations to the Board for the creation of additional Board committees or the change in mandate or dissolution of Board committees;
- Recommending to the Board persons to be members of the various Board committees;

***Conflicts of Interest***

- Periodically evaluating the Company's corporate governance guidelines and code of ethics and recommending changes to the Board as necessary;
- Considering questions of possible conflicts of interest of Board members and of corporate officers; and
- Reviewing actual and potential conflicts of interest of Board members and corporate officers, other than related party transactions reviewed by the Audit Committee, and approving or prohibiting any involvement of such persons in matters that may involve a conflict of interest or taking of a corporate opportunity.

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time consistent with the Company's bylaws. The powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee's sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

In performing its duties, the Committee shall have the authority, at the Company's expense, to retain, hire, and obtain advice, reports or opinions from internal or external legal counsel and expert advisors.

**IV. MEETINGS**

The Committee will meet at least once annually and, otherwise, as often as may be deemed necessary or appropriate, in its judgment, in order to fulfill its responsibilities. The Committee may meet either in person or telephonically, and at such times and places as the Committee determines. The Committee may establish its own meeting schedule, which it will provide to the Board.

The Committee will maintain written minutes of its meetings, which will be filed with the minutes of the meetings of the Board.

**VI. REPORTS**

The Chair of the Committee shall make regular reports to the full Board on the actions and recommendations of the Committee.