

CENTRAL VALLEY COMMUNITY BANCORP  
Form DEF 14A  
March 30, 2009

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

**SCHEDULE 14A**

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

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- 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-12

Central Valley Community Bancorp  
(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 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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  - (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):
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  - (1) Amount Previously Paid:
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  - (3) Filing Party:
  - (4) Date Filed:

CENTRAL VALLEY COMMUNITY BANCORP

7100 N. Financial Drive, Suite 101

Fresno, California 93720

April 8, 2009

Dear Shareholder:

In connection with the 2009 Annual Meeting of Shareholders to be held at 6:00 p.m. on Wednesday, May 20, 2009, at the Company's corporate office at 7100 N. Financial Drive, Suite 101, Fresno, California we are enclosing the following:

1. Notice of Annual Meeting of Shareholders
2. Proxy Statement
3. Proxy Card

It is important that your shares be represented at the meeting. Whether or not you plan to attend the meeting, you are requested to complete, date, sign and return the enclosed proxy in the enclosed envelope, postage for which has been paid.

We appreciate your support and look forward to seeing you at the meeting on May 20, 2009.

Cordially,

Daniel N. Cunningham  
Chairman of the Board

Daniel J. Doyle  
President and Chief Executive Officer

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
SHAREHOLDER MEETING:**

**THE PROXY STATEMENT AND ANNUAL REPORT ON FORM 10-K TO SHAREHOLDERS ARE  
AVAILABLE AT: [WWW.CVCB.COM](http://WWW.CVCB.COM)**

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**NOTICE OF ANNUAL MEETING  
OF SHAREHOLDERS OF  
CENTRAL VALLEY COMMUNITY BANCORP**

**TO THE SHAREHOLDERS OF CENTRAL VALLEY COMMUNITY BANCORP:**

**NOTICE IS HEREBY GIVEN** that the 2009 Annual Meeting of the Shareholders of Central Valley Community Bancorp will be held at 7100 N. Financial Drive, Suite 101, Fresno, CA, on Wednesday, May 20, 2009, at 6:00 p.m. for the following purposes:

1. To elect Directors;
2. To ratify the appointment of Perry-Smith LLP as the Company's independent public accountants;
3. To adopt a non-binding advisory resolution approving executive compensation; and
4. To transact such other business as may properly come before the meeting.

The names of the Board of Directors' nominees to be directors of Central Valley Community Bancorp are set forth in the accompanying Proxy Statement and are incorporated herein by reference.

The Bylaws of Central Valley Community Bancorp provide for the nomination of directors in the following manner:

Nomination for election of members of the Board of Directors may be made by the Board of Directors or by any shareholder of any outstanding class of capital stock of the Corporation entitled to vote for the election of directors. Notice of intention to make any nominations shall be made in writing and shall be delivered or mailed to the President of the Corporation not less than 21 days nor more than 60 days prior to any meeting of shareholders called for the election of directors; provided however, that if less than 21 days' notice of the meeting is given to shareholders, such notice of intention to nominate shall be mailed or delivered to the President of the Corporation not later than the close of business on the tenth day following the day on which the notice of meeting was mailed; provided further, that if notice of such meeting is sent by third class mail as permitted by Section 6 of these Bylaws, no notice of intention to make nominations shall be required. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the corporation owned by the notifying shareholder. Nominations not made in accordance herewith may, in the discretion of the Chairman of the meeting, be disregarded and upon the

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Chairman's instructions, the inspectors of election can disregard all votes cast for each such nominee. A copy of this paragraph shall be set forth in a notice to shareholders of any meeting at which directors are to be elected.

Only shareholders of record at the close of business on March 20, 2009, are entitled to notice of, and to vote at, the Annual Meeting. Every shareholder is invited to attend the Annual Meeting in person or by proxy. If you do not expect to be present at the Meeting, you are requested to complete and return the accompanying proxy form in the envelope provided.

Dated: April 8, 2009

Daniel N. Cunningham

Chairman of the Board

**WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING, PLEASE  
SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE  
IN THE ENCLOSED POSTAGE PAID ENVELOPE**

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

OF

CENTRAL VALLEY COMMUNITY BANCORP

To Be Held on May 20, 2009

7100 N. Financial Drive, Suite 101, Fresno, California 93720

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**GENERAL INFORMATION FOR SHAREHOLDERS**

The following information is furnished in connection with the solicitation of the accompanying proxy by and on behalf of the Board of Directors of Central Valley Community Bancorp (the Company or Central Valley) for use at the Annual Meeting of Shareholders to be held at the Company's corporate office located at 7100 N. Financial Drive, Suite 101, Fresno, California on Wednesday, May 20, 2009, at 6:00 p.m. Only shareholders of record at the close of business on March 20, 2009, (the Record Date) will be entitled to notice of, and to vote, at the Annual Meeting. On the Record Date, the Company had outstanding 7,642,280 shares of its common stock, of which 7,186,893 will be entitled to vote at the Annual Meeting and any adjournments thereof. This proxy statement will be first mailed to shareholders on or about April 8, 2009.

**Vote By Proxy**

As many of the Company's shareholders are not expected to attend the Annual Meeting in person, the Company solicits proxies so that each shareholder is given an opportunity to vote. Shares represented by a duly executed proxy in the accompanying form, received by the Board of Directors prior to the Annual Meeting, will be voted at the Annual Meeting. A shareholder executing and delivering the enclosed proxy may revoke the proxy at any time prior to exercise of the authority granted by the proxy by (i) filing with the secretary of the Company an instrument revoking it or a duly executed proxy bearing a later date; or (ii) attending the meeting and voting in person. A proxy is also revoked when written notice of the death or incapacity of the maker of the proxy is received by the Company before the vote is counted. If a shareholder specifies a choice with respect to any matter on the accompanying form of proxy, the shares will be voted accordingly. If no specification is made, the shares represented by the proxy will be voted in favor of the specified proposal.

**Method of Counting Votes**

Holders of common stock of the Company (Common Stock) are entitled to one vote for each share held except that for the election of directors each shareholder has cumulative voting rights and is entitled to as many votes as shall equal the number of shares held by such shareholder multiplied by the number of directors to be elected and such shareholder may cast all his or her votes for a single candidate or distribute such votes among any or all of the candidates as he or she chooses. However, no shareholder shall be entitled to cumulate votes (in other words, cast for any candidate a number of votes greater than the number of shares of stock held by such shareholder) unless such candidate's name has been placed in nomination prior to the voting and the shareholder has given notice at the Meeting prior to the voting of the shareholder's intention to cumulate votes. If any shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination. An opportunity will be given at the Meeting prior to the voting for any shareholder who desires to do so, to announce his or her intention to

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cumulate his or her votes. The proxy holders are given, under the terms of the Proxy, discretionary authority to cumulate votes represented by shares for which they are named in the Proxy.

The proxy holders, Daniel J. Doyle and Steve McDonald, both of whom are directors of the Company, will vote all shares of Common Stock represented by the proxies unless authority to vote such shares is withheld or the proxy is revoked. However, the proxy holders cannot vote the shares of the shareholder unless the shareholder signs and returns a proxy card. Proxy cards also confer upon the proxy holders discretionary authority to vote the shares represented thereby on any matter that was not known at the time this Proxy Statement was mailed, which may properly be presented for action at the Annual Meeting, including a motion to adjourn, and with respect to procedural matters pertaining to the conduct of the Annual Meeting. The total expense of soliciting the proxies in the accompanying form will be borne by the Company. While proxies are normally solicited by mail, proxies may also be solicited directly by officers, directors and employees of the Company or its subsidiary, Central Valley Community Bank (the Bank). Such officers, directors and employees will not be compensated for this service beyond normal compensation to them.

Abstentions and broker non-votes are each included in the determination of the number of shares present and voting for the purpose of determining whether a quorum is present, and each is tabulated separately. In determining whether the selection of auditors has been ratified, abstentions are counted and broker non-votes are not counted as votes for or against ratification. In determining whether the non-binding advisory resolution approving executive compensation has been adopted, neither abstentions nor broker non-votes will be counted as votes for or against adoption.

Unless contrary instructions are indicated on the Proxy, all shares represented by valid Proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted as follows:

**FOR** the election of all nominees for director named herein;

**FOR** ratification of the selection of Perry-Smith LLP as the Company's independent registered public accounting firm; and

**FOR** the adoption of a non-binding advisory resolution approving executive compensation.

In the event a shareholder specifies a different choice on the Proxy, his or her shares will be voted in accordance with the specification so made. In addition, such shares will, at the proxy holders' discretion, be voted on such other matters, if any, which may come before the Meeting (including any proposal to adjourn the Meeting). Boxes and a designated blank space are provided on the proxy card for shareholders to mark if they wish either to abstain on one or more of the proposals or to withhold authority to vote for one or more nominees for director.

**A copy of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2008 is enclosed with this Proxy Statement, and is incorporated herein by reference.**

#### **Vote Required**

The eight (8) nominees receiving the highest number of votes of the shares of the Company's Common Stock represented and entitled to vote at the Meeting will be elected directors of the Company.

The affirmative vote of the holders of a majority of the shares of the Company's Common Stock represented and entitled to vote at the Meeting is necessary for the ratification of the selection of auditors. Abstentions will have the effect of a vote against the proposal.

The affirmative vote of a majority of votes cast at the Meeting on this proposal is required to adopt the non-binding advisory resolution approving executive compensation. If you abstain from voting, it has no effect on the outcome of this proposal.

#### **Shareholders Entitled to Vote**

Only shareholders of record at the close of business on March 20, 2009, are entitled to notice of, and to vote at, the Annual Meeting. At the close of business on that date, the Company had outstanding 7,642,280 shares of its no par value Common Stock of which 7,186,893 will be



eligible to vote.

**SHAREHOLDINGS OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT**

Management does not know of any person who owns, beneficially or of record, either individually or together with associates, 5 percent (5%) or more of the outstanding shares of Common Stock, except as set forth in the table below.

The following table sets forth, as of the Record Date, the number and percentage of shares of Common Stock beneficially owned, directly or indirectly, by each of the Company's directors, named executive officers and principal shareholders and by the directors and executive officers of the Company as a group. The shares beneficially owned are determined under Securities and Exchange Commission rules, and do not necessarily indicate ownership for any other purpose. In general, beneficial ownership includes shares over which the director, principal shareholder or executive officer has sole or shared voting or investment power and shares which such person has the right to acquire within 60 days of the Record Date. For purposes of the table below, the address for all is 7100 Financial Drive, Suite 101, Fresno, California 93720. All Directors, except for Mr. Doyle, are independent under NASDAQ independence standards.

Directors and Nominees, and Executive Officers	Age	Positions Held With the Company	Director or Officer Since	Shares Beneficially Owned as of the Record Date	
				Number	Percent of Class
Sidney B. Cox	78	Director	2000	69,022(1)	*
Daniel N. Cunningham	72	Chairman of the Board and Director	2000	416,284(2)	5.44%
Edwin S. Darden Jr.	64	Director	2001	118,506(1)	1.54%
Daniel J. Doyle	62	President, Chief Executive Officer and Director **	2000	227,139(3)	2.91%
Bryan R. Hyzdu	50	Senior Vice President San Joaquin Region **	2008	14,507	*
David A. Kinross	44	Senior Vice President and Chief Financial Officer **	2006	10,000(4)	*
Steven D. McDonald	59	Director	2000	393,740(5)	5.13%
Louis McMurray	62	Director	2000	685,552(6)	8.95%
Gary Quisenberry	57	Senior Vice President, Commercial and Business Banking **	2000	57,000(7)	*
Wanda L. Rogers	76	Director	2000	208,428(1)	2.71%
Lydia E. Shaw	52	Senior Vice President, Consumer and Retail Banking **	2007	3,000(8)	*
William S. Smittcamp	56	Director	2000	146,600(1)	1.91%
Thomas L. Sommer	61	Senior Vice President and Credit Administrator **	2000	106,716(9)	1.39%



Directors and Nominees, and Executive Officers	Age	Positions Held With the Company	Director or Officer Since	Shares Beneficially Owned as of the Record Date	
				Number	Percent of Class
Joseph B. Weirick	70	Director	2000	108,695(10)	1.42%
All directors and executive officers of the Company and the Bank as a group (13 in number)				2,565,189	31.35%

\* Beneficial ownership does not exceed one percent of common stock outstanding.

\*\* As used throughout this Proxy Statement, the term executive officer means the president, any senior vice president in charge of a principal business unit or function, and any other officer or person who performs a policy making function for the Company or the Bank. Ms. Shaw, Mr. Quisenberry and Mr. Hyzdu are officers of the Bank only. Each executive officer serves on an annual basis and must be appointed by the Board of Directors annually pursuant to the Bylaws of the Company (or the Bylaws of the Bank, in the case of Ms. Shaw, Mr. Quisenberry and Mr. Hyzdu).

- (1) Includes 38,000 shares which may be acquired within 60 days of the Record Date upon the exercise of options granted pursuant to the Central Valley Community Bancorp 2000 Stock Option Plan (the 2000 Plan).
- (2) Includes 87,120 shares held as trustee for the Bradley and Joanne Quinn Living Trust as to which Mr. Cunningham disclaims beneficial ownership and 122,508 shares held under a power of attorney executed in favor of Mr. Cunningham by Eric Quinn as to which Mr. Cunningham disclaims beneficial ownership. Also includes 8,000 shares which may be acquired upon the exercise of options granted pursuant to the 2000 Plan.
- (3) Includes 90,000 shares which may be acquired upon the exercise of options granted pursuant to the Central Valley Community Bank 1992 Plan (the 1992 Plan). Also, includes 72,522 shares which may be acquired upon the exercise of options granted pursuant to the 2000 Plan.
- (4) Includes 10,000 shares which may be acquired upon the exercise of options granted pursuant to the 2000 Plan.
- (5) Includes 1,608 shares held by Mr. McDonald's spouse, 28,136 shares held in a family trust, and 38,000 shares which may be acquired upon the exercise of options granted pursuant to the 2000 Plan.
- (6) Includes 52,536 shares held as Trustee of the Charles McMurray Living Trusts, 52,548 shares held as Trustee of the Jed McMurray Living Trust, 498,205 shares held as Trustee of the Louis McMurray Living Trust, 64,263 shares held as Trustee of the Lou and Dena McMurray Living Trust, and 18,000 shares which may be acquired upon the exercise of options granted pursuant to the 2000 Plan.
- (7) Includes 32,000 shares which may be acquired upon the exercise of options granted pursuant to the 1992 Plan. Also includes 24,000 shares which may be acquired upon exercise of options granted pursuant to the 2000 Plan.
- (8) Includes 3,000 shares which may be acquired upon the exercise of options granted pursuant to the Central Valley Community Bancorp 2005 Omnibus Incentive Plan (the 2005 Plan).
- (9) Includes 26,000 shares which may be acquired upon the exercise of options granted pursuant to the 1992 Plan. Also includes 28,000 shares which may be acquired upon exercise of options granted pursuant to the 2000 Plan.
- (10) Includes 6,116 shares owned of record by Mr. Weirick's wife and 38,000 shares which may be acquired upon the exercise of options granted pursuant to the 2000 Plan.

In January 2009, the Company entered into a Letter Agreement (the Purchase Agreement) with the United States Department of the Treasury (the Treasury) under the Troubled Asset Relief Program Capital Purchase Program (TARP), pursuant to which the Company issued and sold (i) 7,000 shares of the Company's Series A Fixed Rate Cumulative Perpetual Preferred Stock and (ii) a warrant to purchase 158,133 shares of the Company's common stock, no par value, for an aggregate purchase price of \$7,000,000 in cash. The U.S. Treasury currently owns all issued and outstanding Preferred Stock of the Company. The table above does not reflect the U.S. Treasury's ownership of the Preferred Stock because, subject to the terms of the Certificate of Designations of the Preferred Stock, the Preferred Stock is non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Preferred Stock. The table does not reflect beneficial ownership by the U.S. Treasury of the Warrant Shares because, pursuant to the Letter Agreement, the U.S. Treasury does not have any voting rights with respect to the Warrant Shares.



**Pursuant to the terms of the preferred stock issued to the U.S. Treasury, on the occurrence of certain events, the U.S. Treasury would be provided the authority to appoint two members of the Board of Directors ( contingent directors ). Descriptions herein relating to the qualification, nomination, and election of directors do not include contingent directors.**

In connection with its participation in the Capital Purchase Program, the Company is required under current regulations, for the duration of the period that the U.S. Treasury holds any equity or debt position in the Company acquired under the Capital Purchase Program, to take the following actions with respect to its executive compensation arrangements relating to its Senior Executive Officers (the SEOs ):

- require that SEO bonus and incentive compensation are subject to recovery or clawback by the Company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;
- prohibit any golden parachute payment to the SEOs, generally meaning any payment in the nature of compensation to (or for the benefit of) an SEO made in connection with an applicable severance from employment to the extent the aggregate present value of such payments equals or exceeds an amount equal to three times the SEO's base amount (generally defined as the five-year average of the executive's compensation); and
- agree that it will be subject to Section 162(m)(5) of the Internal Revenue Code (the Code ), which reduces the annual tax deduction limit for remuneration paid to the SEOs during any taxable year from \$1,000,000 to \$500,000 and eliminates the availability of the exception to the deduction limit for performance-based compensation, as defined in the Code.

The Company's SEOs currently consist of the same executive officers who are designated named executive officers for purposes of this Proxy Statement.

In addition, in connection with its participation in the Capital Purchase Program, the Executive/Directors Resources Committee is required to meet at least annually with the Company's Chief Risk Officer or other senior risk officers to discuss and review the relationship between the Company's risk management policies and practices and its SEO 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 Executive/Directors Resources Committee, on behalf of the Company, must certify that it has completed the review and taken any necessary actions. The required certification of the Executive/Directors Resources Committee is provided in the Compensation Discussion and Analysis.

On February 17, 2009, President Barack Obama signed the American Relief and Recovery Act ( ARRA ) into law. The ARRA includes provisions directing the Secretary of the U.S. Treasury and the SEC to impose additional limits on compensation of executives of companies that participate in the Capital Purchase Program as long as the U.S. Treasury owns preferred stock and/or stock purchase warrants of such companies under the Capital Purchase Program. These provisions include, among others:

- a prohibition on golden parachute payments to any SEO or any of the next five most highly compensated employees of the participating company;

- a prohibition on paying or accruing any bonus, retention award, or incentive compensation to the CEOs and the twenty next most highly compensated employees that fully vests during the period in which any obligation under the Capital Purchase Program remains outstanding or that has a value greater than one-third of the total amount of the annual compensation of the employee receiving the award; and
- an annual, non-binding shareholder vote on the company's executive compensation program.

In accordance with the ARRA and based on recent guidance issued by the SEC, the Board of Directors authorized a non-binding advisory shareholder vote on the Company's executive compensation plans, programs and arrangements. See Proposal 3: Advisory Vote on Executive Compensation.

Other provisions of the ARRA require the participating companies to establish a board Executive/Directors Resources Committee that must meet at least semi-annually to discuss and evaluate employee compensation plans in light of an assessment of any risk posed to the company from the plans; to adopt a company-wide policy regarding excessive or luxury expenditures; and to annually file a written certification of the Company's CEO and CFO as to the Company's compliance with the requirements.

As required by the ARRA and the guidance provided by the SEC, the Board of Directors has authorized a shareholder vote on the Company's executive compensation plans, programs and arrangements as reflected in the Compensation Discussion and Analysis, the disclosures regarding named executive officer compensation provided in the various tables included in this Proxy Statement, the accompanying narrative disclosures and the other compensation information provided in this Proxy Statement.

Shareholders are encouraged to carefully review the Executive Compensation section of this Proxy Statement for a detailed discussion of the Company's executive compensation program.

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

### **PROPOSAL NO. 1**

#### **ELECTION OF DIRECTORS OF THE COMPANY**

The Bylaws of the Company provide a nomination procedure for election of members of the Board of Directors, which procedure is printed in full in the Notice of Annual Meeting of Shareholders accompanying this Proxy Statement. Nominations not made in accordance therewith may, in his or her discretion, be disregarded by the Chairman of the Meeting and, upon his or her instruction, the inspectors of election shall disregard all votes cast for such nominee(s).

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 eight (8). The authorized number of directors to be elected at the Meeting is eight (8). Each director will hold office until the next Annual Meeting of Shareholders and until his or her successor is elected and qualified.

All Proxies will be voted for the election of the following eight (8) nominees recommended by the Board of Directors, all of whom are incumbent directors, unless authority to vote for the election of directors is withheld. If any of the nominees should unexpectedly decline or be unable to act as a director, the Proxies may be voted for a substitute nominee to be designated by the Board of Directors. The Board of Directors has no reason to believe that any nominee will become unavailable and has no present intention to nominate persons in addition to or in lieu of those named below. There is no family relationship between any of the directors or principal officers.

The following is a brief account of the business experience during the past five years of each nominee and each executive officer of the Company.



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**SIDNEY B. COX** retired from Producers Cotton Oil in April 1988 and is now owner of Cox Communications, public relations and agricultural consulting firm.

**DANIEL N. CUNNINGHAM** is the Chairman of the Boards of Directors of the Company and the Bank. Mr. Cunningham is a Director of Quinn Group, Inc. and a former Vice President and Director of Quinn Properties, Inc.

**EDWIN S. DARDEN JR.** is a certified architect and President of Darden Architects, Inc., an architectural firm in Fresno, California.

**DANIEL J. DOYLE** became President and Chief Executive Officer of the Company upon its organization in 2000, and has served as President and Chief Executive Officer of the Bank since June 1998. From March 1995 until joining the Bank, Mr. Doyle was Senior Vice President and Regional Manager of U.S. Bank. Prior to that, Mr. Doyle served as President and Chief Executive Officer of U.S. Bank of California.

**BRYAN R. HYZDU** became Senior Vice President San Joaquin Region on November 19, 2008. Prior to that time, Mr. Hyzdu served for nine years as President of Service 1st Bancorp. For three of those nine years, Mr. Hyzdu also served as President and Chief Executive Officer of Service 1st Bank, and for two years as President and Chief Executive Officer of Charter Services Group, Inc., a Service 1st Bancorp subsidiary. For seven years prior to that Mr. Hyzdu served as a Regional Vice President and Central Valley Portfolio Manager with Union Bank of California.

**DAVID A. KINROSS** was name Senior Vice President and Chief Financial Officer of the Company on May 18, 2006. Prior to that time, Mr. Kinross served for three years as Vice President Finance and Chief Financial Officer of Pelco, and for 13 years prior to that served in various capacities including Partner with Deloitte & Touche LLP.

**STEVEN D. McDONALD** is President of McDonald Properties, Inc., with interests in cattle ranching, mobile home park management and other investments. Mr. McDonald is also the owner/broker of SDM Realty, specializing in ranch brokerage.

**LOUIS McMURRAY** is President of Charles McMurray Company, a wholesale hardware company with outlets in Fresno and Sacramento.

**GARY QUISENBERRY** was named Senior Vice President, Commercial and Business Banking of the Bank on February 22, 2000. For fifteen years prior to that time, Mr. Quisenberry was Senior Vice President, Business Banking Manager, Manager of Special Assets and Manager of Consumer Lending for California Federal Bank.

**LYDIA E. SHAW** was named Senior Vice President of the Bank on October 1, 2007. Ms. Shaw was named manager of Consumer and Retail Banking of the Bank on December 19, 2007. Prior to that time, Ms. Shaw served as Vice President, Division Manager for Washington Federal Savings located in Seattle, Washington. For eight years prior to that time, Ms. Shaw served as Director of Business Relationships for Twinstar Credit Union located in Olympia, Washington.

**WILLIAM S. SMITTCAMP** is the President and owner of Wawona Frozen Foods and is involved as a principal in other family-related businesses.

**THOMAS L. SOMMER** became Senior Vice President and Credit Administrator of the Company upon its organization in 2000, and was named Senior Vice President and Chief Credit Officer of the Bank on December 15, 1999 after serving as Vice President Manager of Credit Review and Special Assets since August 24, 1998.

**JOSEPH B. WEIRICK** was President and General Manager of Weirick and Co., operators of China Peak Ski Area, from 1964 to 1978. Mr. Weirick is presently involved in personal investments.

#### **Meetings and Committees of the Board of Directors**

The Board of Directors of the Company conducts its business through meetings of the Company's Board of Directors, Executive and Directors Resources Committee, Nominating Committee, Strategic Planning Committee and Audit/Compliance Committee, and through committees of the Bank's Board of Directors. The Company became the holding company for the Bank on November 15, 2000. Currently, the Audit/Compliance Committee of the Bank's Board of Directors makes recommendations to the Audit/Compliance Committee of the Company's Board of Directors. During 2008 the Company's Board of Directors held 21 meetings.

#### **Executive/Directors Resources Committee**

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The Executive/ Directors Resources Committee performs the function of a compensation committee for the Company and the Bank. All of the members of the Executive/ Directors Resources Committee are independent directors as defined under the rules of The NASDAQ Stock Market, Inc. as currently in effect. The Committee is composed of Mr. Cunningham as Chairman, and Messrs. Darden, McMurray, and Smittcamp. The Committee adopted a charter on March 18, 2009 which outlines its policy with respect to executive and directors' compensation and equity awards and incentive compensation awards and plans.

In January 2009, the Company entered into a Letter Agreement (the Purchase Agreement) with the United States Department of the Treasury (the Treasury) under the Troubled Asset Relief Program Capital Purchase Program (TARP), pursuant to which the Company issued and sold (i) 7,000 shares of the Company's Series A Fixed Rate Cumulative Perpetual Preferred Stock and (ii) a warrant to purchase 158,133 shares of the Company's common stock, no par value, for an aggregate purchase price of \$7,000,000 in cash. Pursuant to this Purchase Agreement, the Executive/ Directors Resources Committee will meet no less frequently than is required and will establish compensation and incentive plans that are consistent with the Treasury under the applicable TARP guidelines and any other federal law to review compensation of senior management, and to ensure that such compensation is not structured in any way that would encourage the senior management to take excessive risks in light of their job responsibilities. See footnote 19 in the audited Consolidated Financial Statements included in the Annual Report for further information.

A copy of the Executive/Directors Resources Committee Charter is included in this Proxy Statement as Appendix A.

The Committee held one meeting during 2008. The Committee; (1) oversees matters relating to employment, compensation and management performance of key executive officers; (2) formally evaluates the performance of the President/CEO annually; (3) makes recommendations to the full Board for compensation and other benefits, including incentives, deferred compensation plans and stock options for the President/CEO and other key executive officers; (4) reviews and makes recommendations to the Board regarding retirement policies or any other policies relating to Board members; and (5) makes recommendations regarding fees, stock option grants and other benefits for the Directors.

### **Nominating Committee**

The Nominating Committee is composed of Mr. Cunningham as Chairman, and Messrs. Darden, McMurray, and Smittcamp. All of the members of the Committee are independent directors as defined under the rules of the NASDAQ Stock Market, Inc. as currently in effect.

The Committee held one meeting during 2008. The Committee makes recommendations for the nomination of directors to the full Board.

The Committee adopted a charter which outlines its policy with respect to considering director candidates. A copy of the Nominating Committee charter was included in the Proxy Statement for the Company's 2007 Annual Meeting of Shareholders as Appendix B. The Committee considers suggestions from many sources, including shareholders, regarding possible candidates for director. In order for shareholder suggestions regarding possible candidates for director to be considered by the Committee, such information should be provided to the Committee in writing at least 60 days prior to the date of the next scheduled annual meeting. Shareholders should include in such communications the name and biographical data of the individual who is the subject of the communication and the individual's relationship to the shareholder. The Committee does not set specific criteria for directors but believes the Company is well served when its directors bring to the Board a variety of experience and backgrounds, evidence leadership in their particular fields, demonstrate the ability to exercise sound business judgment and have substantial experience in business and outside the business community in, for example, the academic or public communities. The Committee considers shareholder nominees for director in the same manner as nominees for director from other sources. As set forth in the Notice of Annual Meeting that accompanies this Proxy Statement, the Company's Bylaws require that notice of intention to make any nomination must be delivered to the President of the Corporation on a timely basis and must contain certain information. Please refer to the Notice of Annual Meeting. Any such notices will be forwarded to the Committee.

### **Strategic Planning Committee**

The Committee develops, along with the Board and management, the Company's Strategic Plan and is to provide overall strategic planning direction for the Company. Its responsibilities include overseeing the Bank's planning process and implementation of the strategic plan, reviewing potential locations for offices of the Bank, overseeing premises-related matters, and reviewing feasibility of potential mergers/acquisitions. Members of the Strategic Planning Committee are Mr. McMurray, Chairman, and Messrs. Cunningham, Darden, Doyle, McDonald, and Smittcamp. The Committee met six times in 2008.

### **Audit/Compliance Committee**

The Audit/Compliance Committee of the Company's Board of Directors is composed of Mr. McDonald as Chairman, and Messrs. Cunningham, Cox and Weirick. In accordance with its charter, all of the members of the Audit/Compliance Committee are independent directors as defined under the rules of The NASDAQ Stock Market, Inc. as currently in effect. The Board of Directors has determined that Mr. Cunningham is an audit committee financial expert as defined under applicable Securities and Exchange Commission rules.

The Company's Audit/Compliance Committee held 13 meetings during 2008. The functions of the Audit/Compliance Committee are to recommend the appointment of and to oversee the independent registered public accounting firm who audit the books and records of the Company for the fiscal year for which they are appointed, to approve each professional service rendered by such accountants and to evaluate the

possible effect of each such service on the independence of the Company's accountants. The Audit/Compliance Committee also reviews internal controls and reporting procedures of the Bank's branch offices, periodically consults with the independent registered public accounting firm with regard to the adequacy of internal controls and reviews and recommends inclusion of the audited consolidated financial statements in regulatory reports.

**Report of Audit/Compliance Committee**

NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN ANY OF THE COMPANY'S FILINGS UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934, THE FOLLOWING REPORT OF THE AUDIT/COMPLIANCE COMMITTEE SHALL NOT BE INCORPORATED BY REFERENCE INTO ANY SUCH FILINGS AND SHALL NOT OTHERWISE BE DEEMED FILED UNDER SUCH ACTS.

The Audit/Compliance Committee of the Central Valley Community Bancorp Board of Directors (the Audit Committee) is composed of independent directors and operates pursuant to a Charter that was adopted by the Board on March 21, 2007, a copy of which was attached as Appendix C to the Proxy Statement for the Company's 2007 Annual Meeting of Shareholders. The members of the Audit Committee are Steven D. McDonald (Chair), Daniel N. Cunningham, Sidney B. Cox, and Joseph B. Weirick. The Audit Committee recommends to the Board of Directors, subject to shareholder ratification, the selection of the Company's independent accountants. Wanda L. Rogers served on the Audit Committee during 2008. Other than Ms. Rogers, all participants in the Audit Committee attended at least 75% of the meetings of the Audit Committee during 2008.

The function of the Audit Committee is to assist the Board of Directors in its oversight of the Company's financial reporting process. As set forth in the Charter, management of the Company is responsible for the preparation, presentation and integrity of the Company's financial statements, and maintaining appropriate accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent registered public accounting firm is responsible for planning and carrying out appropriate audits and reviews, auditing the Company's consolidated financial statements and expressing an opinion as to their conformity with accounting principles generally accepted in the United States of America.

In the performance of its oversight function, the Committee has considered and discussed the consolidated audited financial statements with the independent registered public accounting firm, with, and without, management present. The Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as currently in effect. The Committee has also discussed with management and the independent registered public accounting firm the quality and adequacy of the internal controls of the Company. Finally, the Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect, and discussed with them their independent status. The independent registered public accounting firm did not perform any prohibited services for the Company.

The members of the Audit Committee are not professionally engaged in the practice of auditing or accounting and are not experts in the fields of accounting or auditing, including in respect to auditor independence. Members of the Committee rely without independent verification on the information provided to them and on the representations made by management and the independent accountants. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with auditing standards generally accepted in the United States of America, that the financial statements are presented in accordance with accounting principles generally accepted in the United States of America or that the Company's independent registered public accounting firm are in fact independent.

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in its Charter, the Committee recommended to the Board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 to be filed with the Securities and Exchange Commission.

SUBMITTED BY THE AUDIT/COMPLIANCE COMMITTEE  
OF THE COMPANY'S BOARD OF DIRECTORS

Steven D. McDonald (Chairman)  
Daniel N. Cunningham  
Sidney B. Cox



## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

The duties of the Executive/Directors Resources Committee (the Committee) of the Board of Directors include reviewing policies, reviewing human resources issues, granting stock options and other equity awards, and approving other personnel matters which are in excess of management's authority. The Company's compensation programs and policies are covered under this committee and are applicable to its Chief Executive Officer (CEO), Chief Financial Officer (CFO) and other Named Executive Officers (NEOs), and are administered by the Committee. NEOs are defined as the Company's three most highly compensated executive officers other than the CEO and CFO who were serving as executive officers at the end of the last completed fiscal year. Those individuals are Daniel Doyle, David Kinross, Bryan Hyzdu, Lydia Shaw, Thomas Sommer, and Gary Quisenberry.

The Committee establishes the compensation plans and specific compensation levels of the Company's CEO, CFO and other NEOs, with input from the CEO. The Committee reviews its approach to executive compensation annually. As part of its review, the Committee conducts periodic outside reviews of California peers as well as national peers utilizing the California Bankers Association Salary Survey, salary and benefits information from the California Department of Financial Institutions and other databases.

The Company's compensation programs and policies are designed to enhance shareholder value by aligning the financial interest of the executive officers of the Company with those of the Company's shareholders. The compensation program has two goals: To help the Company compete with other financial entities to attract and retain highly qualified individuals as executive officers; and to pay executive officers based upon their contribution to the Company's performance and the executive officers' estimated future contribution to the success of the Company.

As part of its charter, this Committee establishes the salary and incentive plans on an annual basis for the Bank's senior management. The incentive plan for 2009 was approved by the Committee and the Board of Directors on January 28, 2009 and in keeping with prudent goals related to asset quality, growth and CAMELS ratings as determined in annual Safety & Soundness examinations by our state and federal regulators. These plans are also consistent with Department of Treasury guidelines. The Compensation Committee will meet no less frequently than is required under the applicable TARP guidelines and any other federal law to review compensation of senior management, and to ensure that such compensation is not structured in any way that would encourage the senior management to take excessive risks in light of their job responsibilities. In addition, CVCB and each of its Senior Executive Officers have contractually agreed that they will not accept any golden parachute payments that would be in violation of the TARP guidelines or any other federal law. At the present time, no offsets to other longer-term or deferred forms of executive compensation have been implemented.

The Committee annually reviews the salaries, non-equity incentives, and perquisites of executive officers, which are payable in cash. The long-term compensation components (equity incentives and post-termination benefits) are reviewed in the context of the other compensation provided to executives; however, adjustments to long-term compensation are not necessarily made annually.

Equity compensation and post-termination benefits are intended to provide retention incentives to executives, and are not specifically intended to reward current performance. Salary, bonus and perquisite compensation are related to, and affected by, current performance.

The Company's philosophy for providing equity compensation in the form of stock options is based on the principles of encouraging key employees to remain with the Company and to encourage ownership thereby providing them with a long-term interest in the Company's overall



performance. The Company intends to retain the flexibility necessary to provide total cash compensation in line with competitors' practices, the Company's compensation philosophy and the Company's best interests, including compensation that may not be deductible for tax purposes.

**Components of Executive Officer Compensation**

The primary components of executive compensation are base salaries, incentive compensation and long-term compensation, which includes 401(k) match and profit sharing, equity compensation, health and welfare benefits and benefits from a salary continuation plan.

**BASE SALARIES:**

Base salaries for our executive officers are based on the scope of their responsibilities as well as review of competitive compensation data from a comparison group of financial services companies. The Committee approves, and submits to the Board

of Directors for ratification, the annual base salary for the CEO, CFO and other NEOs. Base salaries are reviewed annually, and increased from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience. Salary ranges and midpoints for all employees are based on market analysis within the banking industry in California.

The base salary for the CEO for 2008 was determined by (i) examining the Company's performance against its preset goals, (ii) comparing the Company's performance against its peer group competitors, (iii) evaluating the effectiveness and performance of the CEO, and (iv) comparing the base salary of the CEO to that of other chief executive officers in the Company's peer group. The total compensation received by the Company's CEO is detailed in the Summary Compensation Table.

#### **INCENTIVE COMPENSATION:**

The Committee determines the amount of annual incentive compensation payable to executive officers, if performance goals are met, subject to a maximum limit on the incentive compensation. In January 2008, the compensation committee recommended to the Board and the Board approved the incentive compensation for executive officers for 2008 and is discussed below.

The CEO's annual incentive compensation was based on a target bonus multiplied by a performance modifier. The target bonus for 2008 was 50% percent of his base salary at January 1, 2008. The target bonus is prorated 70% to a Bank component which includes performance criteria for net income, direct expenses, operating revenue, loans, deposits, investment management, classified loans to capital, Community Reinvestment Act (CRA) loan goals, classified loans and past due loans. 30% of the target bonus was prorated to a management component. The management component is subjective based on strategic planning leadership, marketing, regulatory compliance, community involvement, franchise value and stockholder relations. The total target bonus attained can be adjusted up or down based on the performance modifier. The performance modifier was determined by the outcome of regulatory exams, regulators' rating for the Bank and outside and internal audit outcomes. Mr. Doyle's 2008 incentive compensation was \$152,000 as his overall target objectives were met and exceeded. See the Summary Compensation Table below for further information.

The Company has a Senior Management Incentive Plan (SMIP) to provide annual incentive compensation to attract, retain, and motivate key executives of the Company. The CEO does not participate in the SMIP. The SMIP is tied to financial achievements for the Bank and Company which are set annually. The executive must be employed on the last day of the fiscal year to receive payment under the SMIP. The Committee has discretion to determine which executives are eligible to participate in the SMIP, to determine the bases for and the amount of any incentive awards and to consider any additional or extraordinary performance factors for a particular participant. Where an executive is responsible for a particular business unit or division, performance goals are weighted based on operational performance of those units. Where an executive has broader corporate responsibilities, such as the CFO, goals are based on particular objectives set by the Committee. For 2008, NEOs total incentive compensation was based on a target bonus of 30% of their base salary as of January 1, 2008 which was weighted 50% for targeted Company level thresholds of performance and 50% for individual targeted performance thresholds. Bank performance thresholds include net income, total direct expenses, and non-interest income. Individual thresholds include, loans, deposits, net charge offs, classified loans to capital, past due loans, CRA goals, investments, and a management component. The total target bonus attained can be adjusted up or down based on a performance modifier. The performance modifier is based on the outcome of regulatory exams, regulators' rating for the Bank and outside and internal audit outcomes.

Incentive compensation payments for 2008 for each executive officer are detailed in the Summary Compensation Table on page 15.

#### **LONG-TERM INCENTIVE COMPENSATION:**

*401(k)/Profit Sharing Plan:*

The Company adopted a 401(k) Plan for benefit of all employees and incorporates a safe harbor matching contribution provision. The CEO and other senior management executives participate in the 401(k) Plan to the same extent as all other employees, subject to limitations imposed by regulation. The Company contributes a percentage matching contribution to the same degree as all other employees. The matching contribution is 100% on all deferred amounts up to 3% of eligible compensation and a 50% match on the next 2% of eligible compensation. The Profit Sharing Plan is a cash-based incentive profit sharing program. The Company may, but is not required to make annual contributions based on the recommendation of the Committee. The cash incentive is paid by March 1st of each year. The percentage of the Company's contribution is recalculated each year based upon the recommendation of the Committee. Once they are eligible to participate, all employees are 100% vested, immediately, in both

the 401(k) match and the Profit Sharing Plan. 401(k) and profit sharing contributions to the CEO, CFO and NEOs for 2008 are detailed in the Summary Compensation Table on page 15.

***Equity Compensation:***

Under the Company's compensation philosophy, ownership of the Company's Common Stock is a key element of executive compensation. The granting of stock-based awards is intended to retain and motivate key executives and to provide a direct link with the interest of the shareholders of the Company. In general, stock-based award grants are determined based on (i) the impact the executive may have had on the Bank's and Company's earnings and stock price, (ii) the ability of the executive to provide enhanced opportunities for the success of the Bank and Company (iii) extraordinary deeds performed that warrant extraordinary rewards, (iv) prior award levels for the executive, (v) total awards received to date by the individual executives, (vi) the total stock-based award to be made and the executive's percentage participation in that award, (vii) the executive's direct ownership of Company's Common Stock, (viii) the number of awards vested and non-vested, and (ix) the options outstanding as a percentage of total shares outstanding. Stock-based awards are issued at the discretion of the Board of Directors. Periodically the Directors determine a pool of the number of stock-based awards to be granted and management makes recommendations to the Directors to determine how many are granted to executive officers and others in the Company and the Directors make a final approval of the grants.

The Company has three share-based compensation plans, the Central Valley Community Bancorp 2005 Omnibus Incentive Plan (the 2005 Plan) and the 2000 and 1992 Stock Option Plans. The 2005 Plan provides for awards in the form of incentive stock options, non-statutory stock options, stock appreciation rights, and restricted stock. The plan allows for performance awards that may be in the form of cash or shares of the Company, including restricted stock. All awards are issued at market value and generally have vesting periods of five years. These awards are granted at the sole discretion of the Committee. The maximum number of shares that can be issued with respect to all awards under the 2005 Plan is 476,000. Currently there are options to purchase 30,000 shares of common stock reserved for issuance for options already granted to employees and 446,000 remain reserved for future grants as of December 31, 2008 under the 2005 Plan.

In connection with the Company becoming the holding company for Central Valley Community Bank (Bank) in 2000, the Company assumed all obligations for options issued under the Bank's 1992 Stock Option Plan, with options to purchase shares of the Company's common stock substituted for options to purchase shares of common stock of the Bank. No new options have been granted under this plan and outstanding options are exercisable until their expiration. The 2000 Stock Option Plan has 793,881 shares remaining as reserved for issuance for options already granted to employees and directors under incentive and nonstatutory agreements and 10,936 remain reserved for future grants.

In December 2008, the Company cancelled options to purchase 90,550 shares of the Company's common stock previously granted from the 2000 Plan and options to purchase 15,000 shares of the Company's common stock previously granted from the 2005 Plan, and on December 17, 2008, granted options to purchase 90,550 shares of the Company's common stock from the 2000 Plan and options to purchase 15,000 shares of the Company's common stock from the 2005 Plan at an exercise price of \$6.70, the fair market value on the grant date. Also, from the 2005 Plan, options to purchase 15,000 shares of the Company's common stock were granted in 2008 at an exercise price of \$6.70.

See Note 1 and 13 to the audited Consolidated Financial Statements included in the Annual Report for further information relating to all equity compensation plans.

Additional information on long-term awards for executive officers is shown in the Outstanding Equity Awards at Fiscal Year-End Table on page 20.

***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 CEO, CFO and other NEOs received up to \$12,000 each in 2008 from the Bank for health and welfare benefits.

***Salary Continuation Agreements:***

Each of the Named Executive Officers is a party to a salary continuation agreement that will provide for an annual payment for a period of time following retirement from service as an executive of the Bank. The salary continuation agreements terminate upon the executives' death prior to retirement, voluntary termination of service prior to retirement, or involuntary termination of service for cause. The salary continuation agreements provide for payment of a lump sum in the event of a change

of control of the Company, defined as the cumulative transfer of more than fifty percent (50%) of the voting stock of the Company. Each person's annual benefit is determined at the time of retirement, on the basis of (i) the individual's age upon retirement, (ii) the percentage of benefit vested upon retirement, and (iii) the maximum annual benefit assigned in the individual's Salary Continuation Agreements. Additional information on the details of each participant's benefit under the agreements is shown in the Pension Benefits Table on page 20 and the Potential Payments Upon Termination or Change in Control section on page 22. The Salary Continuation Agreements and the termination provisions under the CEO's Employment Agreement are subject to non-competition covenants if the executive, without prior written consent of the Company, directly or indirectly becomes involved in any capacity with a competitive enterprise within the trading area of the Bank, defined as a 50 mile radius.

***Severance Plan:***

The Bank offers a severance pay plan to provide transitional benefits to certain terminated employees while they seek new employment. In general, full-time and certain part-time employees who are terminated involuntarily without cause, laid off, or terminated as a result of a reduction in force, may be entitled to benefits under this plan. Covered termination means a Bank-initiated dismissal for other than cause but does not include voluntary termination, retirement, or termination for cause. The CEO is not eligible under this severance plan, however, the CFO and other NEOs are eligible to receive a benefit under this plan, paid in a lump sum based on two weeks pay for each year of service with a minimum 12 weeks and a maximum 26 weeks. See Potential Payments Upon Termination or Change in Control section on page 22.

***Executive Compensation Waiver:***

As a result of the Company's participation in the Treasury's TARP Capital Purchase Program, each NEO 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 NEO has with the Company or in which the NEO 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.

***Employment Agreements:***

The Bank has an employment agreement with Daniel J. Doyle, the Company and Bank's CEO, dated as of May 11, 1998 and amended July 17, 2002 pursuant to which Mr. Doyle is employed as President and Chief Executive Officer of the Bank. The employment agreement renews automatically for one-year terms, unless terminated by either party not later than sixty days prior to expiration. Under the employment agreement, the Board of Directors sets Mr. Doyle's salary for each year.

Under the agreement, Mr. Doyle is entitled to receive a bonus, based on the achievement each year of certain performance goals. The goals and the target amount of the bonus are established at the beginning of each year by the Board, and the evaluation of the achievement of the goals and the amount of bonus payable with respect to each year are determined by the Board following the conclusion of the year.

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For 2008, the Board of Directors set the target bonus at 50% of Mr. Doyle's salary, subject to adjustments, up or down, depending on actual performance. The target bonus was weighted 70% for Company wide financial performance thresholds and 30% for management components with an additional modifier determined by the outcome of regulatory examinations and internal and external audits. Mr. Doyle's total incentive award for 2008 was \$152,000 based on exceeding targeted thresholds.

The employment agreement with Mr. Doyle also provides for: (a) a Bank-paid membership in a local country club; (b) an automobile allowance of \$1,000 per month; (c) participation in medical, dental and similar plans offered by the Bank for Mr. Doyle and his dependents, as well as Bank-paid term life insurance coverage of at least \$100,000; and (d) five weeks of vacation annually.

Under the terms of the agreement, Mr. Doyle is entitled to certain benefits for involuntary termination by the Company for reasons other than cause, as defined in the agreement. Under the agreement, Mr. Doyle is eligible for the following:

- For early termination upon disability, Mr. Doyle shall receive his then current base salary for 180 days from the date of his first absence due to disability, should the Board, at its option terminate the employment agreement.
- For a change in ownership or effective control of the Company, Mr. Doyle may elect to stay or leave the Company and receive a lump sum termination payment equal to the average total cash compensation paid to Mr. Doyle during the most recent three fiscal years multiplied by two. A change in ownership or effective control is defined when more than 50% of the outstanding shares of the Company are transferred to any other entity.

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