

BANCORP RHODE ISLAND INC
Form PRE 14A
April 02, 2010

**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

Filed by a Party other than the Registrant

Check the appropriate box:

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

Bancorp Rhode Island, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 16, 2010

Dear Shareholder:

You are cordially invited to attend the 2010 Annual Meeting of Shareholders of Bancorp Rhode Island, Inc. to be held at The Hotel Providence, 311 Westminster Street, Providence, Rhode Island 02903, on Wednesday, May 19, 2010 at 10:00 a.m.

The official Notice of Annual Meeting, Proxy Statement and Proxy are included with this letter. The matters listed in the Notice of Annual Meeting are more fully described in the Proxy Statement. I encourage you to take the time to review the Proxy Statement.

It is important that your shares be represented and voted at the Annual Meeting. Accordingly, regardless of whether or not you plan to attend the meeting, please sign and date the enclosed proxy card and return it in the enclosed postage paid envelope, so that your shares may be represented at the meeting. If you decide to attend the meeting you may revoke your proxy and vote your shares in accordance with the procedures set forth in the Proxy Statement. If you are a shareholder whose shares are held by a broker or otherwise not registered in your name, you will need additional documentation from your record holder to attend and vote personally at the meeting.

Thank you for your consideration. I look forward to seeing you.

Very truly yours,

Malcolm G. Chace

Chairman

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 19, 2010.

**The Company's Proxy Statement, sample proxy card and 2009 Annual Report are available at:
<https://materials.proxyvote.com/059690>**

BANCORP RHODE ISLAND, INC.
One Turks Head Place
Providence, Rhode Island 02903
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held Wednesday, May 19, 2010

To the Shareholders of Bancorp Rhode Island, Inc.:

The Annual Meeting of Shareholders of Bancorp Rhode Island, Inc. (the Meeting), a Rhode Island corporation (the Company), will be held at The Hotel Providence, 311 Westminster Street, Providence, Rhode Island 02903 on Wednesday, May 19, 2010, at 10:00 a.m. local time, for the following purposes:

1. To elect four Class II Directors to serve until 2013;
2. To consider and approve an advisory (non-binding) proposal on the Company s executive compensation;
3. To consider and act upon a proposal to ratify the appointment of KPMG LLP as independent registered public accounting firm for the Company; and
4. To transact such other business as may properly come before the Meeting or any adjournments thereof.

The Board of Directors of the Company has fixed the close of business on April 1, 2010 as the record date for the determination of shareholders entitled to receive notice of and to vote at the Meeting or any adjournment thereof. Only shareholders of record at the close of business on April 1, 2010 will be entitled to notice of and to vote at the Meeting and any adjournment or postponement thereof. The stock transfer books will not be closed.

All shareholders are cordially invited to attend the Meeting. PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD EVEN THOUGH YOU PLAN TO ATTEND THE MEETING. Doing so will ensure your presence by proxy and allow your shares to be voted should anything prevent your attendance in person.

By Order of the Board of Directors

Margaret D. Farrell, Secretary
April 16, 2010

BANCORP RHODE ISLAND, INC.

One Turks Head Place
Providence, Rhode Island 02903

PROXY STATEMENT

This Proxy Statement is being furnished to the holders of common stock of Bancorp Rhode Island, Inc., a Rhode Island corporation (Bancorp), in connection with the solicitation of proxies by the Board of Directors of Bancorp for the Annual Meeting of Shareholders of Bancorp (the Meeting) to be held at The Hotel Providence, 311 Westminster Street, Providence, Rhode Island on Wednesday, May 19, 2010 at 10:00 a.m. local time, and at any adjournments and postponements thereof. This Proxy Statement and the related proxy card are being mailed on or about April 16, 2010, to holders of record of Bancorp s common stock on April 1, 2010. As used herein, the Company means both Bancorp and Bank Rhode Island, a Rhode Island financial institution (the Bank), the only significant operating subsidiary of Bancorp.

GENERAL INFORMATION

Actions to Be Taken At the Meeting

At the Meeting, Bancorp shareholders will be asked to (i) elect four Class II Directors to serve until the 2013 annual meeting and until their successors are duly elected and qualified, (ii) consider and approve an advisory (non-binding) proposal on the Company s executive compensation, (iii) ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm and (iv) transact such other business as may properly come before the Meeting or any adjournments thereof.

Who May Vote

Holders of record of Bancorp s common stock at the close of business on April 1, 2010, the record date for the Meeting, are entitled to notice of and to vote at the Meeting. As of the close of business on April 1, 2010, Bancorp had outstanding 4,624,911 shares of common stock entitled to vote. Holders of the common stock are entitled to one vote for each share held on the matters properly presented at the Meeting.

Votes Required to Transact Business At the Meeting

The holders of a majority of the shares entitled to vote, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Meeting.

Votes Required to Approve Each Proposal

Election of Directors (Proposal 1). To be elected as a director, a nominee must receive the affirmative vote of a plurality of the votes cast. Under the plurality voting standard, the nominees receiving the most for votes will be elected. A proxy card marked as withholding authority with respect to the election of one or more directors will be counted for quorum purposes.

Under our majority voting policy, in an uncontested election, any nominee for director who receives a greater number of withhold votes than for votes is required to tender his or her resignation for consideration by the Governance and Nominating Committee and the Board of Directors. We have provided more information about our majority voting policy under the heading Corporate Governance Majority Voting Policy.

Approval of the Company s Executive Compensation as described in the Compensation Discussion and Analysis and the tabular disclosure regarding named executive officer compensation (together with the accompanying narrative disclosure) in this Proxy Statement (Proposal 2). Approval of this non-binding advisory vote on the Company s executive compensation as described in this Proxy Statement requires the affirmative vote of holders of a majority of our common stock present in person or represented by proxy at the Meeting. Because this proposal is advisory, it will not be binding upon the Board of Directors if approved. However, the Compensation Committee and the Board of Directors will take into account the outcome of the vote when considering future executive compensation arrangements.

Ratification of Independent Registered Public Accounting Firm (Proposal 3). To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm requires the affirmative vote of holders of a majority of the our common stock present in person or represented by proxy at the Meeting. A proxy card marked as abstaining with respect to this proposal will be counted for quorum purposes, but will not be counted as a vote cast, and therefore will have no effect on the vote.

Other Items. All other proposals and other business as may properly come before the Meeting require the affirmative vote of a majority of the votes cast, except as otherwise required by statute or our Articles of Incorporation.

How to Vote Shares Held Directly by the Shareholder

If you are the record holder of your shares, you may vote your shares by marking, signing and dating the enclosed proxy card and returning it in the enclosed postage paid envelope. If you are the shareholder of record, you may also vote your shares via telephone or internet in accordance with the instructions set forth on the enclosed proxy card, or in person at the Meeting. Returning a proxy card will not prevent you from voting your shares in person if you attend the Meeting.

How to Vote Shares Held by a Broker, Bank or Other Nominee

If your shares are held through a broker, bank or other nominee, you may vote your shares by marking, signing and dating the voting instruction form provided to you by your broker, bank or other nominee. You may also be able to vote your shares via internet or telephone in accordance with the instructions provided by your broker, bank or nominee. To be able to vote shares not registered in your own name in person at the Meeting, you will need appropriate documentation from the record holder of your shares. If you hold your shares in street name through a broker or bank you may only vote or change your vote in person if you have a legal proxy in your name from Broadridge Financial Solutions, formerly ADP, or your broker or bank.

Broker Non-Votes and Abstentions

If you are the beneficial owner of shares held in street name by a broker and you do not give instructions to the broker on how to vote your shares at the Meeting, then the broker will be entitled to vote the shares with respect to discretionary items, but will not be permitted to vote the shares with respect to non-discretionary items (in which case, the shares will be treated as a broker non-vote). The approval of the Company's executive compensation (Proposal 2) and the ratification of KPMG, LLP as our independent registered public accounting firm (Proposal 3) are considered to be discretionary items and your broker will be able to vote on those items even if it does not receive instructions from you. **Starting this year, the election of directors (Proposal 1) is a non-discretionary item. If you do not instruct your broker how to vote with respect to this item, your broker may not vote your shares with respect to the election of directors.**

An abstention is a decision by a shareholder to take a neutral position on a proposal being submitted to shareholders at a meeting, although taking a neutral position through an abstention is considered a vote cast on a proposal being submitted at a meeting.

Affect of Broker Non-Votes and Abstentions on Quorum and the Votes Required at the Meeting

Broker non-votes, provided that there are discretionary items to be acted upon at a shareholders' meeting such as the approval of the Company's executive compensation and ratification of independent auditors, and abstentions are included in determining the number of shares represented for the purpose of determining whether a quorum is present at the Meeting. Because directors will be elected by a plurality of the votes cast at the Meeting, an abstention would have no effect on the vote concerning the election of directors and thus, is not being offered as a voting option in the election of directors under Proposal 1. Note, however, that under our majority voting policy, any nominee for director who receives a greater number of withhold votes than votes for such election, will be required to tender his or her resignation for consideration by the Governance and Nominating Committee and Board of Directors.

Under Rhode Island law, broker non-votes are not considered to be a vote cast for any proposal and will not have any impact on the outcome of such proposal. However, abstentions, which are considered to be a vote cast under Rhode Island law, will have the effect of a negative vote with respect to Proposals 2 and 3, which requires the favorable vote of a majority of the Company's shares present at the Meeting.

How Will Shares be Voted

The proxy holders will vote all shares represented by a properly executed proxy received in time for the Meeting in accordance with the instructions on the proxy. If you return an executed proxy card without marking your instructions with regard to the matters to be acted upon, the proxy holders will vote FOR the election of director nominees set forth in this Proxy Statement and FOR the approval of Proposals 2 and 3.

A proxy may confer discretionary authority to vote with respect to any matter to be presented at the Meeting which management does not know of within a reasonable time before the date hereof. Management does not know of any such matter which may come before the Meeting and which would be required to be set forth in this Proxy Statement or the related proxy form. If any other matter is properly presented to the Meeting for action, it is intended that the persons named on the enclosed proxy card and acting thereunder will vote in accordance with their best judgment on such matter.

Revocation of Proxies

A proxy may be revoked at any time before it is voted at the Meeting by:

Filing a written revocation of the proxy with the Secretary of Bancorp, Margaret D. Farrell, c/o Hinckley, Allen & Snyder LLP, 50 Kennedy Plaza, Suite 1500, Providence, Rhode Island 02903;

Submitting a signed proxy card bearing a later date; or

Attending and voting in person at the Meeting provided you are the holder of record of your shares and have filed a written revocation of your grant of proxy with the Secretary of Bancorp as indicated above.

If you hold your shares in the name of a broker, bank or other nominee, you will need to contact your nominee in order to revoke your proxy. If you hold your shares in street name through a broker or bank you may only change your vote in person if you have a legal proxy in your name from Broadridge Financial Solutions or your broker or bank.

Persons Making the Solicitation

The Board of Directors of Bancorp is soliciting these proxies. The Company will bear the expense of preparing, assembling, printing and mailing this Proxy Statement and the material used in the solicitation of proxies for the Meeting. We contemplate that proxies will be solicited principally through the use of the mail, but officers, directors and employees of the Company may solicit proxies personally or by telephone, without receiving special compensation therefor.

The Company will pay the expenses for this Proxy solicitation. In addition to sending you these materials, some of our directors and officers as well as management and non-management employees may contact you by telephone, mail, e-mail, or in person. You may also be solicited by means of press releases issued by the Company, postings on our website, *www.bankri.com*, and advertisements in periodicals. None of our officers or employees will receive any extra compensation for soliciting you. We have retained Laurel Hill Advisory Group, LLC (Laurel Hill) to assist us in soliciting your proxy for an estimated fee of \$6,500 plus reasonable out-of-pocket expenses. Laurel Hill may ask brokerage houses and other custodians and nominees whether other persons are beneficial owners of our common stock. If so, we will reimburse banks, nominees, fiduciaries, brokers and other custodians for their costs of sending the proxy materials to the beneficial owners of our common stock.

Board of Directors Recommendation

The Board of Directors recommends that you vote your shares as follows:

- FOR** Proposal No. 1 regarding the election as directors;
- FOR** Proposal No. 2 regarding the approval of Bancorp's executive compensation; and
- FOR** Proposal No. 3 regarding the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

Bancorp's Articles of Incorporation provide that the Board of Directors shall be divided into three classes, designated as Class I, Class II and Class III, and as nearly equal as possible. The Board of Directors currently consists of 14 persons, of whom four are designated as Class I Directors, five as Class II Directors and five as Class III Directors. Directors serve staggered three year terms and until their successors are duly elected and qualified or until the director's earlier resignation or removal.

In 2009, the Board of Directors determined to reduce the size of the board to 12 over the three years commencing with the 2009 Annual Meeting of Shareholders. Accordingly, at the Meeting, four Class II Directors are to be elected to serve until the 2013 annual meeting and until their successors are duly elected and qualified. The directors of Bancorp currently also serve as directors of the Bank. The Board of Directors, upon the recommendation of the Governance and Nominating Committee, has reviewed the relationship that each director has with the Company (including any individual who served during the 2009 fiscal year but is not being nominated for re-election at the Meeting), and affirmatively determined that all directors, other than Ms. Sherman, are independent as defined under the NASDAQ listing standards.

Unless authority to do so has been withheld or limited in a proxy, it is the intention of the persons named as proxies to vote the shares to which the proxy relates **FOR** the election of the four nominees named below to the Board of Directors as Class II Directors. If any nominee named below is not available for election to the Board of Directors at the time of the Meeting, it is the intention of the persons named as proxies to act to fill that office by voting the shares to which a proxy relates **FOR** the election of such person or persons as may be designated by the Board of Directors or, in the absence of such designation, in such other manner as the proxies may in their discretion determine, unless authority to do so has been withheld or limited in the proxy. The Board of Directors anticipates that each of the four nominees named below will be available to serve if elected.

Set forth below is certain biographical information for both the four individuals being nominated by the Board of Directors for election as Class II Directors, and for those Class I and Class III Directors whose terms expire at the annual meetings of shareholders in 2012 and 2011, respectively. The four director nominees consist of four of the current Class II directors. The biographies for each of the nominees and continuing directors below contain information regarding the person's service as director, business experience, director positions held currently or at any time during the last five years, and the experiences, qualifications, attributes or skills that caused the Governance and Nominating Committee and the Board of Directors to determine that the person should serve as a director.

The Board of Directors recommends a vote FOR the election as directors of the nominees for Class II Director named immediately below.

NOMINEES FOR CLASS II DIRECTOR *(Term to Expire 2013)*

John R. Berger, 66, is the Chief Executive Officer and Chairman of StockShield, Inc., a specialized equity risk management company, and has been a business consultant since 1994. Prior thereto, he served as Executive Vice President and director of Mergers & Acquisitions (1993-94) and Executive Vice President and Chief Investment Officer (1985-93) for Shawmut National Corporation (Shawmut). Mr. Berger has been a member of our Board of Directors since 1997. As director of Mergers & Acquisitions at Shawmut, Mr. Berger developed proprietary corporate valuation models including target scoring models for all New England banks and thrifts over \$100 million in assets. As Chief Investment Officer, Mr. Berger oversaw investment and funding operations in Connecticut, Massachusetts and Delaware. Mr. Berger was also Secretary of the Asset & Liability Committee at Shawmut, which was responsible for, among other things, the management of the corporation s interest rate risk. Mr. Berger serves as the Chairman of our Compensation Committee, through which he has gained substantial knowledge of issues relating to public company oversight of executive compensation matters. We believe that Mr. Berger s substantial banking experience and knowledge of executive compensation matters qualify him to serve on our Board of Directors.

Richard L. Bready, 65, has been the Chairman and Chief Executive Officer of Nortek, Inc. since 1990. Nortek is an SEC reporting company and leading diversified manufacturer and distributor of innovative, high-quality building products for residential, light commercial, and commercial applications. Mr. Bready also serves as a director of GAMCO Investors, Inc., a diversified asset manager and financial services company. He is a well-known philanthropist and business leader and serves as Chairman of the Board of Roger Williams University and is active in numerous other non-profits. Mr. Bready has been a member of our Board of Directors and Audit Committee since 2007. He is a certified public accountant and qualifies as an audit committee financial expert as defined by the SEC rules. Mr. Bready s executive management experience as CEO of a large global public company, headquartered in Rhode Island, brings to our Board insights into business matters generally, including corporate finance and risk management. He has substantial knowledge of the financial, regulatory, corporate governance and other matters affecting public companies which the Board values. We believe these attributes qualify Mr. Bready to serve on our Board of Directors.

Michael E. McMahon, 62, is a founder and partner of Pine Brook Road Partners LLC, a private equity firm, established in July 2006. Prior thereto, he served as Executive Director of Rhode Island Economic Development Corporation from January 2003 to July 2006. He was also a founder and partner of RockPort Capital Partners (venture capital) from 2000 to 2003 and served as a director of Transocean, Inc. (offshore drilling) from 2005 through 2007. Mr. McMahon has been a member of our Board of Directors since 2006. He serves on the Compensation Committee, Executive Committee and Governance and Nominating Committee. His prior service with the Rhode Island Economic Development Corporation gives him unique insight into our primary market and customer base, along with the challenges that face a Rhode Island based company. His experience in private equity and investment banking has exposed him to a broad range of issues affecting businesses. His work has included experience in driving strategic direction and encouraging growth at companies. We believe Mr. McMahon s business acumen, capital market expertise, public company experience and considerable knowledge of the Rhode Island market qualify him to serve on our Board of Directors.

Pablo Rodriguez, M.D., 54, has served as President of Women s Care, Inc., a medical services company, since 1987. Dr. Rodriguez also serves as Associate Chair for Community Relationships at Women and Infants Hospital of Rhode Island and is a Clinical Associate Professor at the Warren Alpert Medical School at Brown University. He is a former chairman of the board of directors of the Rhode Island Foundation and the Rhode Island Latino Political Action Committee and former Medical Director of Planned Parenthood of Rhode Island. He also served on the board of directors of Women and Infants Hospital, Citizens Bank and the International Institute of Rhode Island. He is a well-known leader in the Hispanic community and an active participant in civic and charitable organizations. Dr. Rodriguez has been a member of our Board of Directors since 2003 and serves on our Compensation Committee. Health services and health care represent a large and growing industry in Rhode Island. His medical background, business management experience, extensive leadership and experience in non-profit organizations and integral

involvement in the Hispanic community uniquely positions him to be a strong promoter of the Company and the products and services we offer and will provide our Board with an important perspective on corporate strategy.

CLASS III DIRECTORS CONTINUING IN OFFICE (*Term to Expire 2011*)

Anthony F. Andrade, 62, is President of A&H Composition and Printing, Inc. and the former President of Universal Press Graphics, Inc. until his retirement in April 1997. Mr. Andrade is active in the Portuguese-American community and has been a member of our Board of Directors since formation of the Company. He has successfully started, acquired and sold a number of businesses. His business experience provides the Board with insight into the challenges facing small business owners in our markets and his personal contacts and familiarity with the community are assets to the Board. We believe that Mr. Andrade's significant business experience running different companies in the Company's service area and active role in the local community qualifies him to serve on our Board of Directors.

Malcolm G. Chace, 75, is a founder of Bancorp and has served as Chairman of the Board of Directors of each of Bancorp and the Bank since their formation. Mr. Chace served as a director and audit committee member of Berkshire Hathaway, Inc. from 1992 to 2007. He has also been a Vice President of Point Gammon Corporation (a private financial management company) since 1986. Mr. Chace is also a private investor and leading philanthropist in the Rhode Island community and is a former trustee of Bryant University, Rhode Island Hospital and Trinity Repertory Company. As a founder and Chairman since inception, Mr. Chace has intimate knowledge of the issues facing our Company, and he has been a guiding figure in the development of the Company and its growth strategy. He is also the largest shareholder of Bancorp, which the Board of Directors believes aligns his interests with those of our shareholders. Based on Mr. Chace's significant involvement with the Company since inception, understanding of the financial, regulatory, corporate governance and other matters affecting public companies and contributions to the local community, we believe that Mr. Chace is qualified to serve on our Board of Directors.

Ernest J. Chorneyi, 67, has served as a business consultant with EJC Consulting since 2000 and is an owner of Navajo Development, Inc. Previously, Mr. Chorneyi served as Chairman of the Board of Bradford Dyeing Association, Inc., a privately held textile finishing company in Westerly, Rhode Island. He is active in the southern Rhode Island community and served as an incorporator of the Westerly Public Library, founder of the Westerly Hospital, and a board member of Watch Hill Conservancy, in Watch Hill, Rhode Island. Mr. Chorneyi has been a member of our Board of Directors since inception and serves as a member of the Audit Committee and the Bank's Technology and Operations Committee. Through his experience in owning and operating a small business, Mr. Chorneyi brings to our Board a perspective regarding management, sales and marketing, customer service and finance, as well as knowledge of the local southern Rhode Island market. We believe that Mr. Chorneyi's significant business experience and visibility in one of our market areas qualifies him to serve on our Board of Directors.

Edward J. Mack II, 51, has been the President and owner of Tri-Mack Plastics Manufacturing Company, an engineering, design and manufacturer of custom high performance plastic parts, since 1990. Mr. Mack serves on the advisory board of the University of Rhode Island Mechanical Engineering Department and is a member of the American Society of Mechanical Engineers and the Society of Plastics Engineers. He has been a member of our Board of Directors since 2002. He serves as Chairman of the Bank's Technology and Operations Committee which benefits from his interest in and understanding of new technologies and their applications. He represents a younger generation of business leaders in our market area. We believe Mr. Mack's qualifications to sit on our Board include his operational and financial expertise gained from the successful operation of his own business, as well as his executive leadership and management experience.

Merrill W. Sherman, 61, is a founder of Bancorp and has been President and Chief Executive Officer of each of Bancorp and the Bank since their formation. Ms. Sherman is a recognized business leader and actively involved in the Rhode Island community. In addition to chairing the board of trustees of the Rhode Island School of Design, she plays a leadership role as a board member of a number of other non-profit organizations. She has received numerous civic and business awards. Prior to founding Bancorp, she served as president and CEO of two other New England banks. Through her service as the chief executive of several banks and as CEO of the Company since inception, she has expertise in many areas, including banking, legal and operational matters. Ms. Sherman is able to provide our Board of Directors with insight and advice related to matters of import to the Board and its decisions. Based on her experience and as CEO of the Company, we believe that Ms. Sherman is qualified to serve on our Board of Directors.

CLASS I DIRECTORS CONTINUING IN OFFICE (*Term to Expire 2012*)

Meredith A. Curren, 50, is a partner/principal of Edgewood Holdings, L.L.C., a private investment company, and is the past owner and CEO of Pease & Curren, Inc., a refiner of precious metals. She is currently a board member and chair of the audit committee of Blue Cross Blue Shield of Rhode Island. She also serves on the board of a number of other non-profit organizations. In addition, from 2000 to 2007, Ms. Curren served on the board of trustees of Ocean State Tax-Exempt Fund, a registered open-end registered investment company. Ms. Curren has been a member of our Board of Directors since 2002. She also serves as the Chair of our Audit Committee and qualifies as an audit committee financial expert as defined by the SEC rules. She has broad investment, governance, and compensation experience from her service with a variety of organizations. We believe that Ms. Curren's experience as a president and principal of several companies and knowledge of the financial, regulatory, corporate governance and other matters affecting public companies qualify her to serve on our Board of Directors.

Bogdan Nowak, 46, is the founder and President of Rhode Island Novelty, Inc. established in 1986. Headquartered in Cumberland, Rhode Island, Rhode Island Novelty is the nation's leading importer and wholesale distributor of novelty toys. Mr. Nowak has been a member of our Board of Directors since 2002. He also serves on our Governance and Nominating Committee through which he has gained significant insight into the corporate governance requirements of a public company. We believe that Mr. Nowak's experience as a successful entrepreneur, his understanding of business operations and finances and knowledge of corporate governance matters qualify him to serve on our Board of Directors.

Cheryl W. Snead, 51, has served as President and Chief Executive Officer of Banneker Industries, Inc. in North Smithfield, Rhode Island, since its founding in 1991. A supply chain management company, Banneker Industries performs e-procurement, assembly, packaging, inventory management, warehousing and distribution services. Ms. Snead serves on the board of directors of AMICA Insurance Company and the Rhode Island Economic Development Corporation and is a member of the Rhode Island Commodores, a group of more than 325 top business and civic leaders who play a key role in enhancing Rhode Island's economy and quality of life. She has also served as the state delegate on the U.S. Small Business Administration's National Advisory Council. She has received numerous awards, both for business accomplishments and ongoing civic work, including the 2009 New England Business Women of the Year and Women Business Enterprise National Council (WBENC) Star Award, 2008 U.S. Small Business Administration's National Subcontractor of the Year, National Federation of Black Women Business Owners Woman of Courage Emerging Business Award and the 2000 New England Minority Entrepreneur of the Year. Ms. Snead has been a member of our Board of Directors since inception. She is also a member of our Audit Committee with knowledge in the areas of financial reporting and internal controls. We believe that Ms. Snead's experience as a business founder, President and CEO, her civic and community involvement and her understanding of financial reporting and internal controls qualify her to serve on our Board of Directors.

John A. Yena, 69, has been a member of our Board of Directors since inception and has served as Vice Chairman of the Board of each of Bancorp and the Bank since July 2003. Mr. Yena has been Chairman of the Board of Johnson & Wales University since June 2004 and was Chief Executive Officer of Johnson & Wales University from July 1989 to June 2004. The University has over 16,000 students at campuses in four states. Since 2006, Mr. Yena has been a director of ITT Educational Services, Inc., a NYSE listed provider of technology-oriented postsecondary degree programs. Over his career, Mr. Yena has been involved in a number of national educational organizations. He is currently a member of our Governance and Nominating Committee and, through this service and experience on other public and civic boards, has gained significant experience in corporate governance matters. He also possesses strong leadership skills and decision-making abilities as a result of his executive experience. We believe that Mr. Yena's executive experience as president of a large and complex university, his service on other public company boards and his understanding of corporate governance matters qualify him to serve on our Board of Directors.

Corporate Governance

General. The Bancorp Board of Directors and the Bank's Board of Directors each met nine times during 2009. In addition, the Bancorp Board of Directors met eight times during 2009 in executive session without Ms. Sherman or other members of management. All directors attended at least 75% of the meetings of the Board of Directors and committees on which such director serves, except that Dr. Pablo Rodriguez attended only 73% of such meetings. The

Board of Directors has adopted a policy that requires members of the Board of Directors to make every effort to attend each annual shareholders meeting. All members of the Board of Directors attended the 2009 annual shareholders meeting.

The Bancorp Board of Directors currently has four standing committees: an Executive Committee, an Audit Committee, a Compensation Committee and the Governance and Nominating Committee. The members and chairs of each of those committees are appointed each year. Each member of the Bancorp Executive, Audit and Compensation Committees is also a member of the corresponding committee of the Bank. No member of the Audit, Compensation or Governance and Nominating Committee is an employee of Bancorp or its subsidiaries and all are independent as defined under the applicable NASDAQ listing standards and SEC rules. In addition to the Committees noted above, the Bank has a Directors Loan Committee and a Technology and Operations Committee.

Each of the Audit, Compensation and Governance and Nominating Committees has a written charter approved by the Board of Directors. The Board has also adopted Corporate Governance Guidelines and Principles, which along with the committee charters provide the framework for the governance of the Company. The committee charters and the Guidelines as well as the Company's Code of Ethics, which applies to all directors, officers and employees, are available on the Company's website at www.bankri.com under Investor Relations Governance Documents.

Executive Committee. The Executive Committee is authorized to exercise all the powers of the Board in the management of the business and affairs of the Company while the Board is not in session, subject to certain limitations set forth in Bancorp's Articles of Incorporation and the Bank's Agreement to Form. The current members of the Executive Committee are Malcolm G. Chace (Chairman), Meredith A. Curren, Edward J. Mack II, Merrill W. Sherman and John A. Yena. The Executive Committee held two meetings and acted by written consent twice in fiscal year 2009.

Audit Committee. The Audit Committee assists the Board of Directors in overseeing the integrity of the Company's financial reports; the Company's compliance with legal and regulatory requirements; the qualifications and independence of the Company's independent accountants; and the performance of the Company's internal audit function and independent registered public accountants. The Audit Committee is responsible for appointing, setting the compensation and overseeing the Company's independent registered public accountants. The Audit Committee meets each quarter with the Company's independent registered public accountants and management to review the Company's interim financial results before the publication of quarterly earnings press releases. The Audit Committee also meets separately each quarter in executive session with the independent registered public accountants. The Audit Committee reviews the adequacy of the Company's internal controls and summaries of regulatory examinations to assess the Company's program for complying with laws and regulations. The Audit Committee also oversees and approves the selection and performance of the Chief Auditor and reviews and approves the Company's internal audit plan.

The current members of the Audit Committee are Meredith A. Curren (Chairman), Ernest J. Chorney, Jr., Richard L. Bready and Cheryl W. Snead. The Board of Directors has determined that all four members of the Audit Committee satisfy the financial literacy requirements of the NASDAQ listing standards and are independent as defined under the NASDAQ listing requirements and applicable SEC rules. Additionally, the Board of Directors has determined that Meredith A. Curren and Richard L. Bready, each qualify as an audit committee financial expert as defined by the SEC rules. The Audit Committee held five meetings in fiscal year 2009.

Compensation Committee. The Compensation Committee assists the Board of Directors in discharging the Board's responsibilities relating to director and executive compensation. The Compensation Committee's responsibilities include establishing and reviewing the Company's executive and director compensation philosophy, strategies, plans and policies, making recommendations to the Board with respect to the design of the Company's incentive compensation plans and equity based plans and overseeing generally the administration of such plans, evaluating the performance and determining the compensation of the Chief Executive Officer (CEO) (subject to Board approval) and advising and assisting the CEO in formulating and implementing programs to facilitate the selection and development of other key managers. The Compensation Committee also reviews and approves the compensation of other executive officers of the Company and discharges duties assigned to it under various benefit and compensation plans. The Compensation Committee is composed of five members, each of whom is independent as defined under applicable NASDAQ listing requirements. The current members of the Compensation Committee are John R. Berger (Chairman), Anthony F. Andrade, Malcolm G. Chace, Michael E. McMahon and Pablo Rodriguez, M.D. The Compensation Committee held six meetings in fiscal year 2009.

Governance and Nominating Committee. The Governance and Nominating Committee is responsible for: identifying individuals qualified to be members of the Board of Directors and recommending such individuals to be nominated by the Board for election to the Board of Directors by shareholders; developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Company that are consistent with sound corporate governance practices and in compliance with applicable legal, regulatory or other requirements; and monitoring and reviewing any other corporate governance matters which the Board of Directors may refer to the committee from time to time. The Governance and Nominating Committee is composed of four members, each of whom is independent as defined under applicable NASDAQ listing requirements. The current members of the Governance and Nominating Committee are Malcolm G. Chace (Chairman), Michael E. McMahon, Bogdan Nowak and John A. Yena. The Governance and Nominating Committee held five meetings in fiscal year 2009.

Director Share Ownership Requirements. The Board of Directors has adopted a policy that requires each director to hold at least 500 shares of Bancorp common stock. All current directors meet this requirement.

Nomination of Directors

The Governance and Nominating Committee considers suggestions from many sources, including our shareholders, regarding possible candidates for director. The Board of Directors has adopted a policy that requires consideration by the Governance and Nominating Committee of nominations submitted by a shareholder or group of shareholders that beneficially owns more than 5% of our common stock for at least one year as of the date the recommendation was made. The Governance and Nominating 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 of leadership in their particular fields, demonstrate the ability to exercise sound business judgment and independence of thought, have significant knowledge of and involvement in the communities which the Bank serves and have substantial experience in business and outside the business community in, for example, the academic or public communities. All candidates must possess integrity and a commitment to ethical behavior. The Company does not have a specific policy with respect to the diversity of directors but does consider issues of diversity, such as gender, race and origin, and how those attributes fit within the diversity of the Company's service area when evaluating directors for nomination. The Company also strives to have all directors other than the CEO be independent within the meaning of applicable NASDAQ rules. The Governance and Nominating Committee must also ensure that members of the Board of Directors as a group maintain the requisite qualifications under the NASDAQ listing standards for populating the Audit, Compensation and Governance and Nominating Committees. The Governance and Nominating Committee considers shareholder nominees for director in the same manner as nominees for director from other sources.

Shareholders may send recommendations for director nominees to the Governance and Nominating Committee at the Company's offices at One Turks Head Place, Providence, Rhode Island 02903. Submissions should include information regarding a candidate's background, qualifications, experience and willingness to serve as a director. In addition, Section 3.03 of Bancorp's By-Laws set forth specific procedures that, if followed, enable any shareholder entitled to vote in the election of directors to make nominations directly at an annual meeting of shareholders. These procedures include a requirement for written notice to the Company at least 60 days prior to the scheduled annual meeting and must contain the name and certain information concerning the nominee and the shareholders who support the nominee's election. For the Bancorp annual meeting to be held in 2011, the notice deadline under the By-Laws is March 19, 2011. A copy of this By-Law provision may be obtained by writing to Bancorp Rhode Island, Inc., Attn: Investor Relations Department, One Turks Head Place, Providence, Rhode Island 02903.

Majority Voting Policy

The Board of Directors has adopted a Majority Voting Policy that requires each director nominee to tender his or her irrevocable resignation as a director of both Bancorp and the Bank, which resignations shall be conditioned upon the nominee receiving a majority withhold vote for election to the Board of Directors at any uncontested election. Furthermore, as part of the policy, the Board will nominate for election as a director only candidates who agree to tender such irrevocable resignations that will be effective upon (i) the failure to receive the required vote at the next annual meeting at which they face election and (ii) Board of Director acceptance of such resignation.

Under the policy, an uncontested election is any election of directors at which the number of nominees does not exceed the number of positions to be filled by election at the meeting, and includes any election where (i) by the record date for the meeting, none of the Company's shareholders have provided the Company with notice of an intent to nominate one or more candidates to compete with the nominees of the Board of Directors, or (ii) the Company's shareholders have withdrawn all such nominations by the day before the Company mails its notice of meeting to shareholders in connection with any meeting at which directors are to be elected.

If a nominee for director receives more withhold votes than for votes in any contested election, the Governance and Nominating Committee will promptly consider the resignation of such director and will recommend to the Board of Directors whether to accept the resignation or to take some other action, such as rejecting the resignation and addressing the apparent underlying causes of the withhold votes. In making this recommendation, the Committee will consider all factors deemed relevant. These factors may include the underlying reasons why shareholders withheld votes for election from such director (if ascertainable), the length of service and qualifications of such director, the director's contributions to the Company and whether by accepting such resignation the Company will no longer be in compliance with any applicable law, rule, regulation or governing document.

The Board of Directors will act on the recommendation of the Governance and Nominating Committee no later than 90 days following certification of the shareholder vote for the shareholders' meeting at which the director received a majority of withhold votes. In considering the Committee's recommendation, the Board of Directors will consider the factors considered by the Committee and such additional information and factors that the Board of Directors believes to be relevant. The Board of Directors' decision and process will be promptly disclosed in a periodic or current report filed with the SEC. A copy of our Majority Voting Policy is available at our website at www.bankri.com under

Investor Relations Governance Documents.

Communications with the Board of Directors

The Company's Board of Directors provides a process for our shareholders to communicate directly with the members of the Board of Directors or the individual chairman of standing committees. Any shareholder who desires to contact one or more of the Company's non-management directors may send a letter to those individuals at the following address: c/o Bancorp Rhode Island, Inc., One Turks Head Place, Providence, Rhode Island 02903. Communications are distributed to any individual director or directors as appropriate, depending on the facts and circumstances outlined in the communication. In that regard, the Board of Directors has requested that certain items that are unrelated to the duties and responsibilities of the Board should be excluded, such as: spam, junk mail and mass mailings, product inquiries, new product suggestions, resumés and other forms of job inquiries, surveys and business solicitations or advertisements.

In addition, material that the Company believes poses a security risk will be excluded, with the provisions that any communication that is filtered out must be made available to any outside director upon request.

Board Leadership Structure

The Board of Directors is committed to strong, independent board leadership and believes that objective oversight of management performance is a critical aspect of effective corporate governance. All members of the Board of Directors, other than Ms. Sherman, are independent and all our key committees—Audit, Compensation and Governance and Nominating—are comprised solely of independent directors. The non-management directors meet in executive session without Ms. Sherman at least quarterly.

In addition, pursuant to our Corporate Governance Guidelines, it is the policy of the Board of Directors that the offices of Chairperson and Vice Chairperson be held by a non-management director. The Board of Directors believes that separating the roles of Chairman and Chief Executive Officer is preferable and in the best interests of shareholders because it gives our independent directors a significant role in board direction and agenda setting and enhances the Board of Directors' ability to fulfill its oversight responsibilities, including of senior management. Separating the positions also provides an independent viewpoint and focus at board meetings, and ensures that Ms. Sherman will be able to focus her entire energy on running the Company. We believe this structure provides strong leadership for the Board of Directors, while also positioning the chief executive officer as the leader of the Company in the eyes of our customers, employees and shareholders.

Risk Oversight

The Board of Directors has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks through a program of sound policies, systems, processes, and reports. Risk assessment and oversight begins with the strategic plan developed by the Board and management, which represents the long-term vision that the Board and management have established for the Company as well as the specific strategies and action plans that will be implemented to make the vision a reality. Key risk measures have been developed via scorecards used to assess how well the organization is meeting strategic targets and optimizing the necessary trade-offs that occur between growth, profitability, customer service, employee loyalty, efficiency and risk management. Management reports to the full Board on implementation of strategic plan initiatives on an on-going basis.

The Board has identified credit risk as one of the most significant risks to which the Company is subject. Board oversight with respect to credit risk is provided by the Directors' Loan Committee, which meets monthly and is responsible for promoting the development, implementation, and maintenance of quality credit policies and procedures companywide; monitoring adherence to credit policies and procedures on an ongoing basis; promoting strong credit culture; monitoring trends in quality and growth of the loan portfolio, and approving necessary changes in the Bank's loan policy. One member of the Directors' Loan Committee also attends weekly meetings of the Bank's Credit Committee, comprised of senior management, which reviews and approves all customer borrowing relationships over \$ 3 million. Management maintains a comprehensive set of policies relating to lending that effectively establishes and communicates portfolio objectives, risk tolerances, and loan underwriting and risk selection standards. Management identifies, approves, tracks, and reports significant policy, underwriting, and risk selection exceptions individually and in aggregate. The Chief Credit Officer reports on key risk measures as well as specific problem loans and matters relating to specific portfolios and/or specific industries to Directors' Loan Committee on a monthly basis and to the full Board on a quarterly basis.

Interest rate risk is another significant risk facing the Company. The Board of Directors has developed and approved policies addressing interest rate risk management, capital management, liquidity, investments and hedging/derivative transactions. Management has established an Asset/Liability Committee (ALCO) to implement and monitor compliance with such policies.

The Board has also established a Technology and Operations (T&O) Committee to oversee the overall role and use of technology throughout the Company and ensure that our technology programs and operational processes effectively support our business objectives and strategic plan. The T&O Committee monitors the quality and effectiveness of technology systems and operational processes that relate to or affect the Company's internal control systems and periodically report to and consult with the Audit Committee with respect to such technology systems and operational processes.

The Audit Committee of the Board has oversight responsibility over financial reporting and disclosure process, compliance and legal matters, and information security and fraud risk. The Audit Committee also monitors controls for material weaknesses in the audit function and works closely with our Chief Auditor in evaluating our operational and control risks. The Audit Committee meets regularly with our Chief Financial Officer and Chief Auditor in carrying out these responsibilities.

The Compensation Committee of the Board oversees risks as they relate to the Company's compensation policies and practices as described under Compensation Discussion and Analysis. The Board's Governance and Nominating Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership, independence and corporate governance.

Major strategic and operation issues, including risk exposure and business opportunities, are discussed during regular meetings of the Board of Directors. In addition, formal presentations by management are devoted to discussion of these issues. While each committee is responsible for evaluating the risks within their areas of responsibility and overseeing the management of such risks, all our committees report regularly to the full Board of Directors, which also considers the Company's entire risk profile.

Compensation of Directors

Compensation of the directors of the Company is set by the Compensation Committee (subject to Board approval). Directors of the Company (other than Ms. Sherman) receive a combined annual retainer of \$10,000 (\$7,000 for service as a Bancorp director and \$3,000 for service as a Bank director.) Mr. Chace, as Chairman of the Board and Executive Committee receives an additional \$4,000 annual retainer. Other Committee Chairmen receive the following retainers: Audit (\$3,000); Compensation and Technology (\$2,500); and all other Committees (other than the Executive Committee) (\$2,000). Directors of the Company receive \$200 for each Bancorp Board meeting attended, as well as \$200 for each Bancorp Executive Committee and Compensation Committee meeting attended and \$600 for each Bancorp Audit Committee and Governance and Nominating Committee meeting attended. In addition, directors receive \$600 for each meeting of the Bank's Board of Directors, Executive Committee, Audit Committee, Compensation Committee and Technology and Operations Committee attended, and \$700 for each Directors' Loan Committee meeting attended. Mr. Chace, Chairman of the Board of Directors, waived all director fees in 2009. Under the Amended and Restated Non-Employee Director Stock Plan (the Director Plan) approved by the Bank's shareholders at the 1998 annual meeting and assumed by Bancorp in connection with the reorganization of the Bank into a holding company structure on September 1, 2000, each non-employee director elected at the 1998 meeting received an option to purchase 1,500 shares of common stock, and each new non-employee director elected thereafter receives an option to purchase 1,000 shares of common stock as of the date of election to the Board. In addition, annual grants of options are made as of the date of each annual meeting of shareholders to each non-employee director (other than a director who is first elected at or within six months of the meeting) to purchase 500 shares of common stock. All options have an exercise price equal to the fair market value on the date of grant and may be exercised with cash, common stock, or both. Options vest six months after the grant date, unless automatically accelerated in the event of death, disability or a change in control. Options expire upon the earlier to occur of the tenth anniversary of the grant date or two years following a director's departure from the Board.

The following Director Compensation table provides information regarding the compensation paid or accrued by each individual who was a director during the 2009 fiscal year.

Name	Total (\$)	Fees Earned or Paid in	Option Awards	All Other Compensation
		Cash (\$)	\$(a)(b)	(\$)
Karen Adams (c)	11,200	11,200	0	0
Anthony F. Andrade	22,375	20,400	1,975	0
John R. Berger	25,725	23,750	1,975	0
Richard L. Bready	23,175	21,200	1,975	0
Malcolm G. Chace (d)	1,975	0	1,975	0
Ernest J. Chorneye, Jr.	23,775	21,800	1,975	0
Meredith A. Curren	28,025	26,050	1,975	0
Mark R. Feinstein	25,475	23,500	1,975	0
Edward J. Mack II	24,675	22,700	1,975	0
Michael E. McMahon	24,975	23,000	1,975	0
Bogdan Nowak	28,375	26,400	1,975	0
Pablo Rodriguez, M.D.	20,775	18,800	1,975	0
Merrill W. Sherman(e)	0	0	0	0
Cheryl W. Snead	23,775	21,800	1,975	0
John A. Yena	30,975	29,000	1,975	0

(a) The amounts reflect the aggregate fair value of the awards on the grant date under FASB ASC Topic 718 (formerly FAS 123(R)) for stock options granted to directors pursuant to the Director Plan. Assumptions used in the calculation of these amounts are included in footnote 16 to the Company's audited financial statements for

the fiscal year ended December 31, 2009, included in the Company's Annual Report on Form 10-K filed with the SEC on or around March 16, 2010.

- (b) As of December 31, 2009 each director had the following number of options outstanding:
- | | |
|-------------------------|-----------|
| Anthony F. Andrade | 4,000, |
| John R. Berger | 1,500, |
| Richard L. Bready | 2,000, |
| Malcolm G. Chace | 1,500, |
| Ernest J. Chorneye, Jr. | 4,000, |
| Meredith A. Curren | 3,000, |
| Mark R. Feinstein | 4,500, |
| Edward J. Mack II | 3,000, |
| Michael E. McMahan | 2,500, |
| Bogdan Nowak | 4,500, |
| Pablo Rodriguez, M.D. | 3,500, |
| Cheryl W. Snead | 5,000 and |
| John A. Yena | 1,500. |

- (c) Ms. Adams served as a director from

January 1, 2009
through May 20,
2009.

- (d) Mr. Chace
waived all
director fees to
which he was
entitled in 2009.

- (e) See Summary
Compensation
Table for
disclosure
related to
Merrill W.
Sherman, Chief
Executive
Officer of the
Company.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**Security Ownership of 5% Beneficial Owners**

The following table sets forth certain information, as of April 1, 2010, regarding the beneficial owners of more than 5% of the outstanding common stock:

Name	Amount of Securities Beneficially Owned(a)	Percent Ownership(b)
Malcolm G. Chace(c) c/o Point Gammon Corporation One Providence Washington Plaza, Providence, RI 02903	591,776	12.8
Richard A. Grills P.O. Box 539, Westerly, RI 02891	249,995	5.4
Mendon Capital Advisors Corp. 1117 Cheese Factory Road Honeyoe Falls, NY 14472	286,517	6.2
Royce & Associates, LLC 1414 Avenue of the Americas, New York, NY 10019	261,300	5.6
Merrill W. Sherman(d) c/o Bancorp Rhode Island, Inc. One Turks Head Place, Providence, RI 02903	294,040	6.2

(a) All information is based upon ownership of record as reflected on the stock transfer books of the Company or as reported on Schedules 13G or Schedules 13D filed under Rule 13d-1 under the Securities Exchange Act of 1934.

(b) Percent ownership is based upon

4,624,911
shares of
common stock
outstanding and
assumes
conversion of
any options
exercisable by
the reporting
person within
60 days of
April 1, 2010.

- (c) Includes
- (i) 42,949 shares of which are held in a Grantor Trust over which Mr. Chace has sole voting power and sole power to direct the disposition,
 - (ii) 11,000 shares of which are held in trust for which Mr. Chace acts as sole trustee and over which Mr. Chace has sole voting power and sole power to direct the disposition,
 - (iii) 106,473 shares of which are held in trusts for which Mr. Chace acts as co-trustee and over which Mr. Chace shares voting power and the power to direct the disposition,
 - (iv) 405,354 shares of which are held in trusts

for which an immediate family member of Mr. Chace acts as a trustee and over which Mr. Chace is deemed to share voting power and the power to direct the disposition, (v) 10,000 shares are held by a non-profit corporation of which Mr. Chace is President, (vi) 4,500 shares of which are owned by Mr. Chace's spouse and (vii) 1,500 shares that may be acquired upon exercise of options. Mr. Chace expressly disclaims any economic or beneficial interest in 25,275 of the shares held by certain trusts referenced in clause (ii) and (iii) and the 10,000 shares held by a non-profit corporation referenced in clause (v) with respect to which Mr. Chace has voting power but no

pecuniary
interest.

- (d) Includes 20,500 shares of the Issuer's Common Stock held in a custodial account, 123,670 shares that may be acquired pursuant to options and 4,010 shares of restricted common stock.

Security Ownership of Directors and Officers

The following table sets forth certain information regarding the beneficial ownership of our common stock as of April 1, 2010 by each director, each Named Executive Officer named in the Summary Compensation Table appearing on page 27 and all directors and executive officers as a group. Unless otherwise indicated, each person has sole voting and dispositive power over the shares indicated as owned by such person.

Name of Beneficial Owner	Amount of Securities Beneficially Owned(a)	Percent Ownership
Anthony F. Andrade(b)	31,374	*
John R. Berger(c)	5,668	*
Richard L. Bready(d)	4,000	*
Malcolm G. Chace(e)	591,776	12.8%
Ernest J. Chorney, Jr.(f)	115,000	2.5%
Meredith A. Curren(g)	5,300	*
Mark R. Feinstein(h)	20,500	*
Edward J. Mack II(g)	5,175	*
Michael E. McMahon(i)	6,000	*
Mark J. Meiklejohn(j)	17,596	*
Bogdan Nowak(k)	25,800	*
Pablo Rodriguez, M.D.(l)	5,000	*
Merrill W. Sherman(m)	294,040	6.2%
Linda H. Simmons(n)	38,972	*
Cheryl W. Snead(o)	5,510	*
Daniel W. West	5,487	*
Robert H. Wischnowsky(p)	3,083	*
John A. Yena(c)	12,000	*
All Directors and Officers as a Group(q)	1,192,281	24.6%

* Less than one percent.

(a) If applicable, beneficially owned shares include shares owned by the spouse, children and certain other relatives of the director or executive officer, as well as shares held by trusts of which the

person is a trustee or in which he or she has a beneficial interest, and shares acquirable pursuant to options which are presently or will become exercisable within 60 days of April 1, 2010. All information with respect to beneficial ownership has been furnished by the respective directors and executive officers.

- (b) Includes 4,000 shares that may be acquired pursuant to options.
- (c) Includes 1,500 shares that may be acquired pursuant to options.
- (d) Includes 2,000 shares that may be acquired pursuant to options.
- (e) Includes
 - (i) 42,949 shares of which are held in a Grantor Trust over which Mr. Chace has sole voting

power and sole
power to direct
the disposition,
(ii) 11,000
shares of which
are held in trust
for which
Mr. Chace acts
as sole trustee
and over which
Mr. Chace has
sole voting
power and sole
power to direct
the disposition,
(iii) 106,473
shares of which
are held in trusts
for which
Mr. Chace acts
as co-trustee
and over which
Mr. Chace
shares voting
power and the
power to direct
the disposition,
(iv) 405,354
shares of which
are held in trusts
for which an
immediate
family member
of Mr. Chace
acts as a trustee
and over which
Mr. Chace is
deemed to share
voting power
and the power to
direct the
disposition,
(v) 10,000
shares are held
by a non-profit
corporation of
which
Mr. Chace is
President,
(vi) 4,500 shares
of which are

owned by
Mr. Chace's
spouse and
(vii) 1,500
shares that may
be acquired
upon exercise of
options.

Mr. Chace
expressly
disclaims any
economic or
beneficial
interest in
25,275 of the
shares held by
certain trusts
referenced in
clause (ii) and
(iii) and the
10,000 shares
held by a
non-profit
corporation
referenced in
clause (v) with
respect to which
Mr. Chace has
voting power
but no
pecuniary
interest.

(f) Includes 4,000
shares that may
be acquired
pursuant to
options and
108,000 shares
held by a trust
of which
Mr. Chornyei is
a beneficiary.

(g) Includes 3,000
shares that may
be acquired
pursuant to
options

(h)

Includes 4,500 shares that may be acquired pursuant to options.

- (i) Includes 2,500 shares that may be acquired pursuant to options.
- (j) Includes 15,599 shares that may be acquired pursuant to options and 1,327 shares of restricted stock.
- (k) Includes 4,500 shares that may be acquired pursuant to options and 10,000 shares held by an investment company of which Mr. Nowak is a control person.
- (l) Includes 3,500 shares that may be acquired pursuant to options and 500 shares held in Individual Retirement Account.
- (m) Includes 20,500 shares in a custodial account, 123,670 shares that may be acquired pursuant to

options and
4,010 shares of
restricted stock.

- (n) Includes 35,769 shares that may be acquired pursuant to options and 2,010 shares of restricted stock.
- (o) Includes 5,000 shares that may be acquired pursuant to options.
- (p) Includes 2,000 shares that may be acquired pursuant to options and 1,083 shares of restricted stock.
- (q) Includes 217,538 that may be acquired pursuant to options.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires executive officers and directors and persons who beneficially own more than ten percent of our common stock to file initial reports of ownership and reports of changes in ownership with the SEC and any national securities exchange on which Bancorp securities are registered. Based solely on a review of the copies of such forms furnished to us and written representations from the executive officers and directors, we believe that during 2009 our executive officers, directors and greater than ten percent beneficial owners complied with all applicable Section 16(a) filing requirements.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committees of the Boards of Directors of Bancorp and the Bank (collectively for purposes of this analysis, the Compensation Committee) are charged with the responsibility for establishing, implementing and monitoring adherence to the Company s compensation philosophy and assuring that executives and key management personnel are effectively compensated in a manner which is internally equitable and externally competitive. The Compensation Committee also reviews and recommends to the Board the compensation of directors.

The Company currently has four executive officers: Merrill W. Sherman, CEO, Linda H. Simmons, Chief Financial Officer (CFO), Mark J. Meiklejohn, Chief Lending Officer of the Bank, and Robert H. Wischnowsky, Chief Information Officer of the Bank. Each of Mmes. Sherman and Simmons, and Messrs. Meiklejohn and Wischnowsky is an officer of Bancorp (Bancorp Executives). Daniel W. West, who serves as President of Macrolease Corporation (Macrolease), the Company s equipment financing subsidiary, is also deemed an executive officer of the Company for purposes of SEC disclosure requirements. However, Mr. West does not participate in the compensation programs for Bancorp Executives described below.

Compensation Philosophy and Objectives

The Company s executive compensation philosophy seeks to link executive compensation with the objectives, business strategy, management initiatives and financial performance of the Company. We believe that the compensation of our executives should reflect their success as a management team, rather than individuals, in attaining key operating and strategic objectives, such as growth of earnings and growth of our franchise. We also believe that executive compensation should not be based on the short-term performance of our common stock, whether favorable or unfavorable, but rather that the price of our common stock will, in the long-term, reflect both our operating performance and our franchise value. We seek to have the long-term performance of our common stock reflected in executive compensation through our equity incentive programs.

The overall objectives of our compensation programs are: