

COLUMBIA BANKING SYSTEM INC  
Form PRE 14A  
March 11, 2005  
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## SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

## COLUMBIA BANKING SYSTEM, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 12a(6)(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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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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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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**1301 A Street  
Tacoma, Washington 98402**

March 28, 2005

Dear Shareholder:

We are pleased to invite you to Columbia Banking System's Annual Meeting of Shareholders. The meeting will be at 1:00 p.m. on Wednesday, April 27, 2005 at the Greater Tacoma Convention & Trade Center, 1500 Broadway, Tacoma, Washington 98402.

At the meeting, you and the other shareholders will be asked to approve the election of nine directors to the Columbia Board. In addition, we are asking you to approve amendments to our (i) 2000 Stock Option Plan to increase the number of shares available for issuance under the plan, authorize the issuance of restricted stock awards, stock appreciation rights and restricted stock units, and add a provision to prohibit the repricing of stock options; and (ii) Articles of Incorporation to conform the director nominating procedures previously approved by the Board by deleting the provision in the Articles, and to make certain other technical amendments. You also will have the opportunity to hear what has happened in our business in the past year and to ask questions. You will find additional information concerning Columbia and its operations, including its audited financial statements, in the enclosed Annual Report for the year ended December 31, 2004.

We hope that you can join us on April 27<sup>th</sup>. **Whether or not you plan to attend, please sign and return your proxy card as soon as possible.** Your opinion and your vote are important to us. Voting by proxy will not prevent you from voting in person if you attend the meeting, but it will ensure that your vote is counted if you are unable to attend.

William T. Weyerhaeuser

Chairman

Melanie J. Dressel

President and CEO

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD APRIL 27, 2005**

The 2005 Annual Meeting of Shareholders of Columbia Banking System, Inc. ( Columbia or Company ) will be held at the Greater Tacoma Convention & Trade Center, 1500 Broadway, Tacoma, Washington at 1:00 p.m. on Wednesday, April 27, 2005, for the following purposes:

1. To elect nine directors to serve on the Board until the 2006 Annual Meeting of Shareholders.
2. To amend Columbia s 2000 Amended and Restated Stock Option Plan to (i) increase the number of shares available under the Plan; (ii) provide for the issuance of restricted stock awards, stock appreciation rights and restricted stock units; and (iii) add a provision to prohibit the repricing of stock options.
3. To amend Columbia s Articles of Incorporation to (i) eliminate the director nomination provision; and (ii) make certain other technical amendments.
4. To transact any other business that properly comes before the meeting or any adjournment of the meeting.

Shareholders owning Columbia s shares at the close of business on March 1, 2005 are entitled to vote at the meeting.

By Order of the Board of Directors

Kristy W. House

Secretary

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**COLUMBIA BANKING SYSTEM, INC.**

**1301 A Street**

**Tacoma, Washington 98402-4200**

**PRELIMINARY PROXY STATEMENT**

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

The Board set March 1, 2005 as the record date for the meeting (the Record Date). Shareholders who owned Columbia common stock on that date are entitled to vote at the meeting, with each share entitled to one vote. There were 15,608,070 shares of Columbia common stock outstanding on the Record Date.

Voting materials, which include this Proxy Statement and a proxy card, together with the 2004 Annual Report are being mailed to shareholders on or about March 28, 2005.

**ABOUT THE MEETING**

***Why am I receiving this Proxy Statement and proxy card?***

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

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

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

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Columbia's Board of Directors is sending you this Proxy Statement in connection with its solicitation of proxies for use at the 2005 Annual Meeting. Certain directors, officers and employees of Columbia and its banking subsidiaries, Columbia State Bank and Bank of Astoria, may solicit proxies by mail, telephone, facsimile or in person.

Columbia will pay for the costs of solicitation. Columbia does not expect to pay any compensation for the solicitation of proxies, except to brokers, nominees and similar record holders for reasonable expenses in mailing proxy materials to beneficial owners of Columbia common stock. However, management may, if it determines it necessary to obtain the requisite shareholder vote, retain the services of Georgeson Shareholder Communications, Inc. to aid it in the solicitation of proxies.

### *What am I voting on?*

At the Annual Meeting you will be asked to vote on (i) the election of nine directors to serve on the Board until the 2006 Annual Meeting of Shareholders or until their successors have been elected and have qualified; (ii) an amendment to the 2000 Amended and Restated Stock Option Plan ( Plan ) to increase the number of shares available for issuance under Plan, provide for the issuance of restricted stock awards, stock appreciation rights and restricted stock units, and to add a section to prohibit the repricing of stock options; and; (iii) an amendment to the Articles of Incorporation to eliminate the director nomination provision; and (iv) an amendment to the Articles to delete certain provisions in the Articles of Incorporation which are no longer relevant.



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

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

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

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

### ***Internet voting.***

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

### ***For shares registered in your name.***

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

### ***For shares registered in the name of a broker or bank.***

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

A number of brokers and banks are participating in a program provided through ADP Investor Communication Services that offers the means to grant proxies to vote shares over the telephone and Internet. If your shares are held in an account with a broker or bank participating in the ADP Investor Communication Services program, you may grant a proxy to vote those shares telephonically by calling the telephone number shown on

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the instruction form received from your broker or bank, or via the Internet at ADP Investor Communication Services Web site at <http://www.bsg.adp.com>.

*General information for all shares voted via the Internet.*

We must receive votes submitted via the Internet by 11:59 p.m. on April 19, 2005. Submitting your proxy via the Internet will not affect your right to vote in person should you decide to attend the annual meeting.

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

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

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

Unless you give other instructions on your proxy card, Mr. Weyerhaeuser and Ms. Dressel, as the persons named as proxy holders on the proxy card, will vote as recommended by the Board of Directors. The Board recommends a vote FOR the election of the nominated directors listed in this Proxy Statement, FOR the amendments to the Plan; and FOR the amendments to the Articles of Incorporation.

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

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

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

If your shares are held in street name and you do not submit voting instructions to your broker, your broker may vote your shares at this meeting on the election of directors only. If no instructions are given with respect to amending the Plan or the Articles of Incorporation, your broker cannot vote your shares.

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

A majority of Columbia's outstanding shares as of the Record Date (a quorum) must be present at the Annual Meeting in order to hold the meeting and conduct business. Shares are counted as present at the meeting if a shareholder is present and votes in person at the meeting or has properly submitted a proxy card. As of the Record Date for the Annual Meeting, 15,608,070 shares of Columbia common stock were outstanding and eligible to vote. Both abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum. Broker non-votes, however, are not counted as shares present and entitled to be voted with respect to the matter on which the broker has expressly not voted. Generally, broker non-votes occur when shares held by a broker for a beneficial owner are not voted with respect to a particular proposal because (1) the broker has not received voting instructions from the beneficial owner and (2) the broker lacks discretionary voting power to vote such shares.

*What vote is required to elect directors?*

The nine director nominees who receive the highest number of FOR votes will be elected. You may vote FOR all or some of the nominees or WITHHOLD AUTHORITY for all or some of the nominees. Votes that are withheld and broker non-votes will have no effect on the outcome of the election.

*What vote is required to amend the Plan?*

The affirmative FOR vote of a majority of those shares present and entitled to vote are required to amend the Plan. You may vote FOR, AGAINST or ABSTAIN from amending the Plan. Abstentions and broker non-votes will have no effect on the outcome of the proposal.

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### ***What vote is required to amend the Articles of Incorporation?***

The affirmative FOR vote of a majority of those shares entitled to vote is required to amend the Articles of Incorporation. You may vote FOR, AGAINST or ABSTAIN from amending the Articles of Incorporation. If you ABSTAIN, or, if your shares are held in street name and you do not instruct your broker how to vote your shares, your shares will not be voted, and has the same effect as a vote AGAINST.

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

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

### ***When are proposals for the 2006 Annual Meeting due?***

Proposals by shareholders to transact business at Columbia's 2006 Annual Meeting must be delivered to Columbia's Secretary no later than November 28, 2005, in order to be considered for inclusion in Columbia's proxy statement and proxy card and should contain such information as is required under Columbia's Bylaws. Such proposals will need to comply with the SEC's regulations regarding the inclusion of stockholder proposals in Columbia-sponsored proxy materials. In order for a shareholder proposal to be raised from the floor during next year's annual meeting, written notice must be received by Columbia no later than November 28, 2005 and should contain such information as required under Columbia's Bylaws. If we do not receive notice of a shareholder proposal within this timeframe, the persons named as proxies in such proxy statement and form of proxy will use its discretionary authority to vote the shares it represents as the Board may recommend.

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

#### *2005 Annual Meeting.*

If you wish to nominate someone for election to the Board at the Annual Meeting of Shareholders you must give written notice to Columbia's Chairman not less than 14 days nor more than 50 days prior to the date of the Annual Meeting. If Columbia gives less than 21 days' notice of the Annual Meeting, your notification must be mailed or delivered to the Chairman not later than the close of business on the seventh day following the day that notice of the Annual Meeting was mailed. Your notification should contain the following information to the extent known: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of stock of Columbia that will be voted for each proposed nominee; (d) your name and address; and (e) the number of shares of stock of Columbia you own. Columbia's Chairman may disregard your nomination if it does not meet these requirements.

#### *2006 Annual Meeting.*

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In order for a shareholder to nominate a director for consideration at the 2006 Annual Meeting, it is necessary that the Company receive written notice by November 28, 2005. Your notification should contain the information set forth in (a), (b) (d) and (e) of the preceding paragraph, in addition to the following: (i) the number of shares of the Company which are beneficially owned by the nominee; (ii) a description of any arrangements or understandings between the nominee and the nominating shareholder pursuant to which the nomination is being made; and (iii) any other information relating to such person as may be required. A document indicating the candidate's willingness to serve if elected, together with the required notification should be sent to the Chairman of the Board, c/o Columbia's Corporate Secretary.

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

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As of December 31, 2004, the following shareholder owned more than 5% of the outstanding shares of Columbia common stock:

<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage</u>
Barclays Bank PLC 45 Fremont Street, San Francisco, CA 94105	121,035	6.145%

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

The following table shows, as of December 31, 2004, the amount of Columbia common stock directly owned (unless otherwise indicated) by (a) each director and director nominee; (b) the executive officers named in the Summary Compensation Table below; and (c) all of Columbia's directors and executive officers as a group. Except as otherwise noted, Columbia believes that the beneficial owners of the shares listed below, based on information furnished by such owners, have or share with a spouse voting and investment power with respect to the shares. Beneficial ownership is determined under the rules of the SEC and includes shares that could be acquired within 60 days through the exercise of an option or other right. All share numbers and prices have been adjusted for applicable stock splits and stock dividends.

<u>Name</u>	<u>Position</u>	<u>Number</u> <sup>(1)</sup>	<u>Percentage</u> <sup>(1)</sup>
William T. Weyerhaeuser	Chairman of the Board	219,094 <sup>(2)</sup>	1.4%
Melanie J. Dressel	Director, President and Chief Executive Officer	87,920 <sup>(3)</sup>	*
John P. Folsom	Director	27,108 <sup>(4)</sup>	*
Frederick M. Goldberg	Director	10,844 <sup>(5)</sup>	*
Thomas M. Hulbert	Director	35,465	*
Thomas L. Matson, Sr.	Director	132,367	*
Andrew McDonald	Executive Vice President, Chief Credit Officer	37	*
Mark W. Nelson	Executive Vice President, Chief Banking Officer	1,439 <sup>(6)</sup>	*
Daniel C. Regis	Director	5,000	*
Donald Rodman	Director	21,785 <sup>(7)</sup>	*
Gary R. Schminkey	Executive Vice President, Chief Financial Officer	27,736 <sup>(8)</sup>	*
Evans Q. Whitney	Executive Vice President, Human Resources	69,339 <sup>(9)</sup>	*
James M. Will	Director	20,907	*
Directors and executive officers as a group (15 persons)		659,041	4.2%

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

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- (1) The number and percentages shown are based on the number of shares of Columbia common stock deemed beneficially held under applicable securities regulations, including options exercisable on March 1, 2005, 60 days after December 31, 2004 as follows: Ms. Dressel 29,445 shares; Mr. Folsom 7,947 shares; Mr. Hulbert 3,640 shares; Mr. Matson 5,741 shares; Mr. Rodman 7,947 shares; Mr. Schminkey 11,175 shares; Mr. Whitney 16,101 shares; Mr. Will 7,947; and directors and executive officers as a group 90,943 shares.
- (2) 212,250 shares are held indirectly by WBW Trust No. One, for which Mr. Weyerhaeuser is the trustee with sole voting and investment power.



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- (3) Includes 46,932 shares held in Ms. Dressel's Family LLC, 2,407 shares held by a corporation owned by Ms. Dressel and her spouse, 5,277 shares held in Ms. Dressel's 401(k) and 20 shares held by Ms. Dressel's children.
- (4) Includes 8,550 shares held indirectly in Mr. Folsom's IRA and 950 shares held in Mrs. Folsom's IRA.
- (5) Includes 2,801 shares held by a partnership for the equal benefit of Mr. Goldberg and his mother over which Mr. Goldberg exercises investment power and 1,793 shares held in Mr. Goldberg's IRA.
- (6) Includes 56 shares held in Mr. Nelson's 401(k).
- (7) Includes 546 shares held in Mrs. Rodman's IRA, 415 shares held in Mr. Rodman's IRA, 12,877 shares held in a Living Trust for the benefit of the Rodman estate and 7,947 shares subject to exercisable options.
- (8) Includes 7,472 shares held in Mr. Schminkey's 401(k).
- (9) Includes 4,604 shares held in Mr. Whitney's IRA accounts, 141 shares held by Mr. Whitney as custodian for his grandchildren; 2,801 shares held in a brokerage account for Mr. Whitney's mother, over which Mr. Whitney exercises investment power.

**PROPOSAL NO. 1: ELECTION OF DIRECTORS**

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

Columbia's Bylaws provide that the number of directors to be elected by the shareholders will be at least five and not more than 25. Under the Bylaws, the Board has authority to decide the exact number of directors to be elected within these limits. The Bylaws further provide that up to two directors may be added by the Board between annual meetings of the shareholders. No new directors have been nominated since the 2004 Annual meeting. Columbia's Board has fixed the number of directors to be elected at the Annual Meeting at nine and has nominated the persons listed on the following pages for election as directors to serve until the 2006 Annual Meeting or until their successors are elected.

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

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

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

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

***Who are the nominees?***

Information regarding each of the nominees is provided below, including each nominee's name and age, principal occupation during the past five years, and the year first elected as a director of Columbia, its predecessor corporation or one of its former or current subsidiaries. All of the nominees are presently directors of Columbia and Columbia Bank, and certain of the directors also serve on the Board of Bank of Astoria.

***Melanie J. Dressel***

Director since 1998

Ms. Dressel, 52, was named Chief Executive Officer of Columbia in February 2003 and continues to serve as the Company's President. From January 2000 prior to her appointment, Ms. Dressel was the President and Chief Operating Officer of Columbia, having served prior to that time and since May 1997 as Executive Vice President. She has also served as President and Chief Executive Officer of Columbia Bank since January 2000,

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having served prior to that time and since July 1998 as President and Chief Operating Officer, and from May 1997 to July 1998, as Executive Vice President. Ms. Dressel, who has over 20 years of banking experience, joined Columbia Bank in 1993, serving as Senior Vice President and Private Banking Manager until May 1997. Ms. Dressel also serves on the Board of Bank of Astoria.

***John P. Folsom***

Director since 1997

Mr. Folsom, 61, is president of Brown & Brown, Inc. of Washington, formerly Raleigh, Schwarz & Powell (insurance brokers and consulting), Tacoma, Washington, since 1989.

***Frederick M. Goldberg***

Director since 2003

Mr. Goldberg, 64, has been a shareholder of SaltChuk Resources, Inc., Seattle, Washington, since 1982 and is currently a member of the Executive Committee and chairman of the Audit Committee of that company. Mr. Goldberg has been a managing partner of Goldberg Investments since 1986. Mr. Goldberg has also been chairman of the board of Panorama City, Lacey, Washington, since 1990 and Gibbons Lane Vineyard, Tenino, Washington, since 1997.

***Thomas M. Hulbert***

Director since 1999

Mr. Hulbert, 58, has been the president and chief executive officer of Winsor Corporation (lighting technologies), Olympia, Washington, since 1996 and the president and chief executive officer of Hulco, Inc. (real estate investments), Olympia, Washington, since 1984.

***Thomas L. Matson, Sr.***

Director since 1998

Mr. Matson, 67, has been the owner and president of Tom Matson Dodge, Inc. (automobile dealership), Auburn, Washington, since 1963. Mr. Matson served as the chairman of Cascade Bancorp, Inc. and its subsidiary, Cascade Community Bank, Auburn, Washington, from 1990 to 1997, when those institutions were acquired by Columbia.

***Daniel C. Regis***

Director since 2003

Mr. Regis, 65, has been part owner and managing director of Digital Partners, LLC, Kirkland, Washington since January 2000. He is currently a director of two other public companies; Cray, Inc. and Art Technology Group. Mr. Regis was president and a managing partner of Kirlan Venture Capital, a Seattle based company, from June 1996 until June 1999. Mr. Regis is a certified public accountant and was a partner at Price Waterhouse from 1964 until 1996.

***Donald Rodman***

Director since 1991

Mr. Rodman, 66, has been the owner and an executive officer of Rodman Realty, Longview, Washington, since 1961. Mr. Rodman also serves on the Board of Bank of Astoria.

***William T. Weyerhaeuser***

Director since 1998

Mr. Weyerhaeuser, 60, is the Chairman of the Board of Columbia. He is a clinical psychologist who retired from private practice in Tacoma, Washington in 1998. Mr. Weyerhaeuser is currently the chairman of the board of EDEN Bioscience Corporation and Vice Chairman of Potlatch Corporation (forest products), each of which has a class of securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934. From 1984 to July 2000, Mr. Weyerhaeuser was also the owner and chairman of the board of Comerco, Inc. (holding company for the Yelm Telephone Company), Tacoma, Washington.

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***James M. Will***

Director since 1993

Mr. Will, 58, serves as the president of Titus-Will Enterprises (automobile leasing and property management), Tacoma, Washington and also as president of that company's subsidiary, Titus-Will Chevrolet, Cadillac & Hyundai, Olympia, Washington. Prior to that time and since 1969, Mr. Will was the president of Tam Engineering Corp. (automotive engine re-manufacturing), Tacoma, Washington.

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

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

The Board of Directors has established an Audit Committee, Personnel and Compensation Committee and a Nominating Committee.

***Audit Committee.*** The Audit Committee is comprised of four directors, each of whom are considered independent as defined by the Nasdaq listing standards. The Audit Committee operates under a formal written charter, first adopted in 2000, and amended and approved by the Committee and adopted by the Board in 2003. Current members of the Audit Committee are: Messrs. Folsom (Chairman), Hulbert, Regis and Will. Mr. Regis has been identified as the qualified Audit Committee Financial Expert as required by SEC guidelines under the Sarbanes-Oxley. The committee held eight meetings during the year.

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

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

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

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

review the integrity of the financial reporting process;

review the financial reports and disclosures submitted to appropriate regulatory authorities; and  
maintain procedures for the receipt, retention and treatment of complaints regarding financial matters.

***Personnel and Compensation Committee.*** The Personnel and Compensation Committee is comprised of four directors, each of whom are considered independent as defined by the Nasdaq listing standards and operates under a formal charter. The Personnel and Compensation Committee reviews the performance of Columbia's Chief Executive Officer and other key employees and determines, approves and reports to the

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Board on the elements of their compensation and long-term equity based incentives. The Personnel and Compensation Committee reviews employee benefit plans as needed. In addition the Personnel and Compensation Committee:

administers all employee benefit plans; and

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

The Personnel and Compensation Committee meets as needed, but at least annually. Current members of the Personnel and Compensation Committee are: Messrs. Hulbert (Chairman), Goldberg, Matson and Rodman. There were six meetings of the Personnel and Compensation Committee during 2004.

***Nominating Committee.*** The Nominating Committee is comprised of four directors, each of whom are considered independent as defined by the Nasdaq listing standards and is responsible for recommending a slate

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of directors to the full board for election at the annual meeting and appointing directors to fill vacancies as they occur.

The Nominating Committee will consider nominees recommended by shareholders provided that the recommendations are made in accordance with the procedures described in this proxy statement under the section *About the Meeting How do I nominate someone to be a director?* The Committee evaluates all candidates, including shareholder-proposed candidates, using generally the same methods and criteria. The Nominating Committee operates under a charter. The Committee is authorized to establish guidelines for the qualification, evaluation and selection of new directors to serve on the Board. The Committee has not, nor does it anticipate adopting specific minimum qualifications for Committee-recommended nominees. The Committee instead evaluates each nominee on a case-by-case basis, including assessment of each nominee's business experience, involvement in the communities served by Columbia, and special skills. The Nominating Committee also evaluates whether the nominee's skills are complementary to existing Board members' skills, and the Board's need for operational, management, financial, technological or other expertise.

Current members of the Nominating Committee are Messrs. Weyerhaeuser, Folsom, Hulbert and Matson. The chairman of the board is chairman of the Nominating Committee.

***How often did the Board of Directors meet during 2004?***

The Board met 12 times during 2004. Each director attended at least 75% of the total number of meetings of the Board and committees on which he or she served. Columbia directors are expected to attend annual shareholder meetings. Last year, all of our directors attended the annual shareholder meeting. The Board has determined that each member of the Board, except for Melanie Dressel who serves as an executive officer, meets the applicable laws and listing standards regarding independence required by Nasdaq and that each such director is free of relationships that would interfere with the individual exercise of independent judgment.