

SIERRA BANCORP
Form DEF 14A
May 19, 2003

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

SIERRA BANCORP

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.

Edgar Filing: SIERRA BANCORP - Form DEF 14A

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 28, 2003

TO THE SHAREHOLDERS OF SIERRA BANCORP:

NOTICE IS HEREBY GIVEN that pursuant to its Bylaws and the call of its Board of Directors, the Annual Meeting of Shareholders (the Meeting) of Sierra Bancorp (the Company) will be held at the Main Office of Bank of the Sierra, 90 North Main Street, Porterville, California 93257 on Wednesday, May 28, 2003 at 7:30 p.m., for the purpose of considering and voting upon the following matters.

1. **Election of Directors.** To elect the following four (4) Class II directors to serve until the 2005 annual meeting of shareholders and until their successors are elected and qualified:

Albert L. Berra
Vincent L. Jurkovich

Robert H. Tienken
Gordon T. Woods

2. Transacting such other business as may properly come before the Meeting and any and all adjournments thereof.

The Bylaws of the Company provide for the nomination of directors in the following manner:

Nominations for election of members of the Board of Directors may be made by the Board of Directors or by any shareholder of any outstanding class of voting stock of the Corporation entitled to vote for the election of directors. Notice of intention to make any nominations, other than by the Board of Directors, shall be made in writing and shall be received by the President of the Corporation no more than 60 days prior to any meeting of shareholders called for the election of directors, and no more than 10 days after the date the notice of such meeting is sent to shareholders pursuant to Section 5(a) of Article III of these bylaws; provided, however, that if only 10 days notice of the meeting is given to shareholders, such notice of intention to nominate shall be received by the President of the Corporation not later than the time fixed in the notice of the meeting for the opening of the meeting. Such notification shall contain the following information to the extent known to the notifying shareholder: (A) the name and address of each proposed nominee; (B) the principal occupation of each proposed nominee; (C) the number of shares of voting stock of the Corporation owned by each proposed nominee; (D) the name and residence address of the notifying shareholder; and (E) the number of shares of voting stock of the Corporation owned by the notifying shareholder. Nominations not made in accordance herewith may be disregarded by the then chairman of the meeting, and the inspectors of election shall then disregard all votes cast for each such nominee.

Only those shareholders of record at the close of business on March 31, 2003 will be entitled to notice of and to vote at the Meeting.

DATED: April 28, 2003

By Order of the Board of Directors

/s/ L. Diane Rotondo

L. Diane Rotondo

Secretary

IT IS VERY IMPORTANT THAT EVERY SHAREHOLDER VOTE. WE URGE YOU TO SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. IF YOU DO ATTEND THE MEETING, YOU MAY THEN WITHDRAW YOUR PROXY. THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO ITS EXERCISE.

IN ORDER TO FACILITATE THE PROVIDING OF ADEQUATE ACCOMMODATIONS, PLEASE INDICATE ON THE PROXY WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING.

SIERRA BANCORP

86 North Main Street

Porterville, California 93257

(559) 782-4900

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 28, 2003

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders (the Meeting) of Sierra Bancorp (the Company) to be held at the Main Office of Bank of the Sierra (the Bank), 90 North Main Street, Porterville, California 93257, at 7:30 p.m., on Wednesday, May 28, 2003, and at any and all adjournments thereof. The solicitation of the Proxy accompanying this Proxy Statement is made by the Board of Directors of the Company and the costs of such solicitation will be borne by the Company.

It is expected that this Proxy Statement and accompanying Notice will be mailed to shareholders on approximately April 28, 2003.

The matters to be considered and voted upon at the Meeting will be:

1. **Election of Directors.** To elect four (4) Class II directors to serve until the 2005 annual meeting of shareholders and until their successors are elected and have qualified.
2. To transact such other business as may properly come before the Meeting and at any and all adjournments thereof.

Revocability of Proxies

Edgar Filing: SIERRA BANCORP - Form DEF 14A

A Proxy for use at the Meeting is enclosed. Any shareholder who executes and delivers such Proxy has the right to revoke it at any time before it is exercised by filing with the Secretary of the Company an instrument revoking it or a duly executed proxy bearing a later date, or by attending the Meeting and voting in person. Subject to such revocation, all shares represented by a properly executed Proxy received in time for the Meeting will be voted by the proxy holders whose names are set forth in the accompanying Proxy (the Proxy Holders) in accordance with the instructions on the Proxy. If no instruction is specified with respect to a matter to be acted upon, the shares represented by the Proxy will be voted in favor of the election of the nominees for directors set forth herein and, if any other business is properly presented at the Meeting, in accordance with the recommendations of the Board of Directors.

Solicitation of Proxies

The Company will bear the cost of this solicitation, including the expense of preparing, assembling, printing and mailing this Proxy Statement and the material used in this solicitation of proxies. The proxies will be solicited principally through the mails, but directors, officers and regular employees of the Company may solicit proxies personally or by telephone. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries to forward these proxy solicitation materials to shareholders whose stock in the Company is held of record by such entities, and the Company will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith. In addition, the Company may pay for and utilize the services of individuals or companies it does not regularly employ in connection with this solicitation of proxies, if management determines it advisable.

VOTING SECURITIES

There were issued and outstanding 9,260,187 shares of the Company's common stock on March 31, 2003, which has been set as the Record Date for the purpose of determining the shareholders entitled to notice of and to vote at the Meeting. The presence, in person or by proxy, of at least a majority of the total number of outstanding shares of the common stock is necessary to constitute a quorum at the Meeting for the transaction of business. Abstentions and broker non-votes are each included in the determination of the number of shares present for determining a quorum but are not counted on any matters brought before the Meeting.

Each holder of common stock will be entitled to one vote, in person or by proxy, for each share of common stock standing in his or her name on the books of the Company as of March 31, 2003 for the annual meeting on any matter submitted to the vote of the shareholders. An abstention or broker non-vote will have the same effect as a vote against a director nominee and against any other matters submitted for shareholder approval. Shareholders of the Company do not have cumulative voting rights in connection with the election of directors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Management knows of no person who owns beneficially more than 5% of the outstanding Common Stock of the Company, except for Morris A. Tharp, Gregory A. Childress, Robert L. Fields, James C. Holly and Howard H. Smith, each of whom is a member of the Company's Board of Directors (see ELECTION OF DIRECTORS).

ELECTION OF DIRECTORS

The Bylaws of the Company provide that the number of directors shall be not fewer than six (6) nor more than eleven (11) until changed by a bylaw amendment duly adopted by the vote or written consent of the Company's shareholders. The Bylaws further provide that the exact number of directors shall be fixed from time to time, within the foregoing range, by a bylaw or amendment thereof or by a resolution duly adopted by the vote or written consent of the Company's shareholders or by the Company's Board of Directors. The exact number of directors is presently fixed at nine (9).

Pursuant to the terms of the Company's Articles of Incorporation, the Board of Directors is divided into two classes, designated Classes I and II. The directors serve staggered two-year terms, so that directors of only one class are elected at each Annual Meeting of Shareholders. At the Meeting, shareholders will be asked to elect the following four (4) Class II directors whose terms expire this year, for an additional term of two (2) years:

Albert L. Berra
Vincent L. Jurkovich

Robert H. Tienken
Gordon T. Woods

Since shareholders do not have cumulative voting rights in the election of directors, the affirmative vote of a majority of the votes cast is required for the election of directors. In the event that any of the nominees should be unable to serve as a director, it is intended that the Proxy will be voted for the election of such substitute nominee, if any, as shall be designated by the Board of Directors. Management has no reason to believe that any nominee will become unavailable.

Edgar Filing: SIERRA BANCORP - Form DEF 14A

The following table sets forth certain information as of March 31, 2003, with respect to (i) each of the persons to be nominated by the Board of Directors for election as directors, (ii) each of the Company's directors and executive officers, and (iii) the directors and executive officers of the Company as a group:

Name and Offices Held with Company	Principal Occupation for the Past Five Years	Age	Director Since/Term to Expire	Common Stock Beneficially Owned on March 31, 2003		
				Number of Shares ¹	Vested Option Shares ²	Percentage of Shares Outstanding ³
Morris A. Tharp ⁴ Chairman of the Board	President and Owner, E.M. Tharp, Inc. (Truck Sales and Repair)	63	2000/ 2004 (1977) ⁵	414,480	100,000	5.50%
Albert L. Berra Director	Orthodontist/Rancher	62	2000/ 2005 (1977) ⁵	267,684	100,000	3.93%
Gregory A. Childress ⁴ Director	Rancher	46	2000/ 2004 (1994) ⁵	1,598,168 ⁶	100,000	18.14%
Robert L. Fields ⁴ Director	Investor (formerly Owner, (Bob Fields Jewelers)	75	2000/ 2004 (1982) ⁵	588,984	100,000	7.36%
James C. Holly ⁴ President, Chief Executive Officer and Director	President and Chief Executive Officer, Bank of the Sierra	62	2000/ 2004 (1977) ⁵	438,776	100,000	5.76%
Vincent L. Jurkovich Director	President, Porterville Concrete Pipe, Inc.	75	2000/ 2005 (1977) ⁵	136,950	100,000	2.53%
Howard H. Smith ⁴ Director	Chief Executive Officer, Smith s Enterprises (Property Management)	91	2000/ 2004 (1977) ⁵	421,000	79,000	5.35%
Robert H. Tienken Director	Retired (formerly Realtor/Farmer)	83	2000/ 2005	182,628	100,000	3.02%

Edgar Filing: SIERRA BANCORP - Form DEF 14A

(1977)⁵

-
- ¹ Except as otherwise noted, may include shares held by such person's spouse (except where legally separated) and minor children, and by any other relative of such person who has the same home; shares held in street name for the benefit of such person; shares held by a family or retirement trust as to which such person is a trustee and primary beneficiary with sole voting and investment power (or shared power with a spouse); or shares held in an Individual Retirement Account or pension plan as to which such person (and/or his spouse) is the sole beneficiary and has pass-through voting rights and investment power.
- ² Represents option shares which are vested or will vest within 60 days of March 31, 2003 pursuant to the Company's Stock Option Plan. (See Compensation of Directors and Stock Options.)
- ³ The percentages are based on the total number of shares of the Company's Common Stock outstanding, plus the number of option shares for the applicable individual or group which are vested or will vest within 60 days of March 31, 2003 pursuant to the Company's Stock Option Plan. (See Compensation of Directors and Stock Options.)
- ⁴ Mr. Tharp's address is 15243 Road 192, Porterville, California 93257; Mr. Childress' address is 12012 Road 200, Porterville, California 93257; Mr. Fields' address is 200 North Main Street, Porterville, California 93257; Mr. Holly's address is 86 North Main Street, Porterville, California 93257; and Mr. Smith's address is 55 Hockett, Porterville, California 93257.
- ⁵ Year first elected or appointed a director of the Bank.
- ⁶ Includes 3,000 shares owned by Childress, Bates, Childress, Inc. (CBC), a corporation of which Mr. Childress is President and a 53% shareholder; and 702,272 shares owned by CPG Ranch, a partnership of which Mr. Childress is a partner; as to all of which shares Mr. Childress has shared voting and investment power.

(Table and footnotes continued on following page.)

Name and Offices Held with Company	Principal Occupation for the Past Five Years	Age	Director Since/Term to Expire	Common Stock Beneficially Owned on March 31, 2003		
				Number of Shares ¹	Vested Option Shares ²	Percentage of Shares Outstanding ³
Gordon T. Woods Director	Owner, Gordon T. Woods Construction	66	2000/ 2005 (1977) ⁵	1,386 ⁷	100,000	1.08%
Kenneth E. Goodwin Executive Vice President and Chief Operating Officer	Executive Vice President and Chief Operating Officer, Bank of the Sierra	60	n/a	152,890	60,000	2.28%
Kenneth R. Taylor Senior Vice President and Chief Financial Officer	Senior Vice President and Chief Financial Officer, Bank of the Sierra ⁸	43	n/a	2,000	3,000	0.05%
Charlie C. Glenn Senior Vice President and Chief Credit Officer	Senior Vice President and Chief Credit Officer, Bank of the Sierra	64	n/a	1,985	15,000	0.18%
Directors and Executive Officers as a Group (12 persons)				4,206,931	957,000	50.54%

Committees of the Board of Directors

The Company has, among others, a standing Audit, Compliance and CRA Committee (the Audit Committee), of which directors Berra (Chairman), Childress, Fields, Jurkovich, Tienken and Woods are members. During the fiscal year ended December 31, 2002, the Audit Committee held a total of twelve (12) meetings. The purpose of this committee, with respect to its audit duties, is to meet with the outside auditors of the Company in order to fulfill the legal and technical requirements necessary to adequately protect the directors, shareholders, employees and depositors of the Company. It is also the responsibility of the Audit Committee to select the Company's independent accountants and to make certain that the independent accountants have the necessary freedom and independence to freely examine all company records. Further, the Audit Committee pre-approves all audit and permissible non-audit services to be performed by the independent accountants, with certain de minimus exceptions.

Edgar Filing: SIERRA BANCORP - Form DEF 14A

Each February the committee reviews the risk management assessment of the Company's branches, credit centers and operating units and assigns priorities for the year to have independent reviews conducted by loan, operational, information systems and compliance teams hired by the committee. The committee meets with such independent review consultants on an annual basis and approves the contractual basis of each engagement letter and arrangement under consideration. Further, as part of its regular monthly meeting schedule, the committee meets on a quarterly basis to review the Company's Form 10-Q with the independent accountants prior to such Form being filed with the SEC. Also, the committee meets with the accounting audit partner in charge of the engagement who presents the audited consolidated financial reports to the committee upon completion of the annual engagement. The committee receives and reviews management letters and all reports of external independent firms which have been

(Certain footnotes appear on previous page.)

- ⁷ Does not include 134,598 shares held by Filinco, Ltd., as to which Mr. Woods' spouse and daughters have sole voting and investment power and as to which Mr. Woods disclaims beneficial ownership.
- ⁸ Mr. Taylor was appointed Senior Vice President/Chief Financial Officer on October 9, 2001. Previously, he served as Senior Vice President/Chief Financial Officer for Tokai Bank of California in Los Angeles (Tokai) from June 2000 to July 2001; and in various other capacities at Tokai from 1986 through June 2000.

contracted to perform agreed upon procedures for the benefit of the Company and the Committee. Additionally, the committee receives and reviews all Reports of Examination prepared by regulators regarding safety and soundness, compliance, or other examinations performed by such agencies. As part of its responsibilities, the committee also receives, reviews and approves, any and all management initiated responses to engagements conducted by independent consultant firms or regulatory agencies, prior to their dispersal to the appropriate reviewing agent.

The Audit Committee Charter, a copy of which is attached hereto as Exhibit A, requires that the Audit Committee be comprised of at least three directors. No member of the Audit Committee, other than in his capacity as a member of the Board of Directors or Audit Committee, may accept any consulting, advisory or other compensatory fee from the Company. Further, each member of the Audit Committee, with the exception of the Company's former Corporate Secretary, must be independent as defined by the rules of Nasdaq. Under those rules, as implemented by Nasdaq's current interpretations and policies, a corporate secretary is technically considered to be an officer, and therefore an employee, of the company in question and therefore not independent even if that individual meets every other test of independence. The Company's former Corporate Secretary, Mr. Tienken, has no relationship with the Company other than as a shareholder, a director and former Corporate Secretary. He has never been an actual employee of the Company and meets every other independence test of the Nasdaq rules.

The Board of Directors has determined that in this case the best interests of the Company and its shareholders require that Mr. Tienken serve as a member of the Audit Committee, notwithstanding the fact he is not technically considered independent according to the rules of Nasdaq. Accordingly, the Board has taken advantage of a limited exemption available under the Nasdaq rules to allow him to serve on the Audit Committee under these circumstances. The Board believes that Mr. Tienken has historically been and will continue to be a valuable member of the Audit Committee due to his longtime directorial experience with the Company and managerial experience with other companies, and further believes that his service as Corporate Secretary until July 2002 in no way affects his independence from Management or his ability to properly discharge his duties as a member of the Audit Committee.

While the Board has no standing compensation committee, it has a Human Resources Committee of which directors Berra (Chairman), Fields, Holly, Smith and Woods are members. The primary function of the Human Resources Committee, which met two (2) times during 2002, is to approve the employment of executive officers and recommend the compensation for all executive officers. Additionally, the Human Resources Committee recommends salary ranges for graded personnel and approves personnel policies recommended by senior officers of the Company.

The Company has no standing nominating committee; however, the procedures for nominating directors, other than by the Board of Directors itself, are set forth in the Company's Bylaws and in the Notice of Annual Meeting of Shareholders.

During the fiscal year ended December 31, 2002, the Board of Directors of the Company held a total of thirteen (13) meetings. Each director attended at least 75% of the aggregate of (a) the total number of such meetings and (b) the total number of meetings held by all committees of the Board on which such director served during 2002.

Report of the Audit Committee

The Audit Committee has reviewed and discussed with management the Company's audited consolidated financial statements as of and for the year ended December 31, 2002. The committee has discussed with the Company's independent auditors, which are responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements with generally accepted accounting principles, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, including their judgments as to the quality of the Company's financial reporting. The committee has received from the independent auditors written disclosures and a letter as required by the Independence Standards Board, Standard No. 1, as amended, and discussed with the independent auditors the firm's independence from management and the Company. In considering the independence of the Company's independent auditors, the committee took into consideration the amount and nature of the fees paid the firm for non-audit services, as described on the following page.

In reliance on the review and discussions described above, the committee recommends to the Board of Directors that the year-end audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 for filing with the SEC.

Submitted by:
Albert L. Berra, Chairman

Gregory A. Childress Robert L. Fields	Gordon T. Woods	Vincent L. Jurkovich Robert H. Tienken
--	-----------------	---

Change in Company's Principal Accountant

At its Board of Directors meeting on June 14, 2001, the Board of Directors of the Company terminated the services of McGladrey & Pullen, LLP (M&P). At the same meeting, the Board of Directors selected the accounting firm of Perry-Smith & Co. LLP (Perry-Smith) as independent auditors for the remainder of the Company's 2001 fiscal year. The determination to replace M&P was recommended by the Audit Committee and approved by the full Board of Directors of the Company.

M&P audited the consolidated financial statements for the Company⁹ for the year ended December 31, 2000. M&P's report on the financial statements for the Company for that year did not contain an adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal year ended December 31, 2000 and the subsequent interim period January 1, 2001 through June 14, 2001, there were no disagreements between M&P and the Bank or the Company on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of M&P, would have caused it to make reference to the subject matter of the disagreements in connection with its reports.

The Company and the Bank each filed a Report on Form 8-K concerning the change in accountants on June 9, 2001. The Company requested that M&P review the disclosure in the Reports on Form 8-K, and M&P was given the opportunity to furnish the Company with a letter addressed to the Securities and Exchange Commission (or the FDIC, in the case of the Bank) containing any new information, clarification of the Company's expression of its views, or the respects in which it did not agree with the statements made by the Company or the Bank in the Reports on Form 8-K. Such letters were filed as exhibits to the Reports on Form 8-K.

Audit-related Fees

Audit Fees. Aggregate fees billed by Perry-Smith for professional services rendered in connection with the audit of the Company's annual consolidated financial statements for the fiscal year ended December 31, 2002 and for the required review of the Company's consolidated financial statements included in its Form 10-Q's and Form 10-K for that same year totaled \$92,500.

Edgar Filing: SIERRA BANCORP - Form DEF 14A

Financial Information System Design and Implementation Fees. No fees were paid to Perry-Smith for financial information system design and implementation services rendered for the 2002 fiscal year.

All Other Fees. Approximately \$52,630 was paid to Perry-Smith for all other services rendered for the 2002 fiscal year. These services consisted of \$32,260 for tax related services; and \$20,370 for miscellaneous services including assistance with the Company's Report of Management on internal controls over financial reporting.

⁹ As used throughout this Proxy Statement, the term "Company" includes, where appropriate, the Company and/or the Bank. Inasmuch as the Company did not acquire the outstanding shares of the Bank until August 2001, the consolidated financial statements for 2000 were for the Bank rather than the Company.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3, 4 and 5 and amendments thereto furnished to the Company during and with respect to its 2002 fiscal year, no director, executive officer or beneficial owner of 10% or more of the Company's common stock failed to file, on a timely basis, reports required during or with respect to 2002 by Section 16(a) of the Securities Exchange Act of 1934, as amended.

Executive Compensation

The following table sets forth certain summary compensation information with respect to the Chief Executive Officer and the only other executive officers of the Company as of December 31, 2002 whose total salary and bonus for the fiscal year ended December 31, 2002, exceeded \$100,000 (the Named Executive Officers):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation	All Other Compensation
		Salary ¹⁰	Bonus	Other	Stock Options Granted (Number of Shares)	
James C. Holly		\$ 184,000	\$ 184,000	\$ 18,700 ¹¹	0	\$ 69,149 ¹²
President and	2002	175,000	175,000	18,100 ¹¹	0	14,364 ¹²
Chief Executive Officer	2001					
Kenneth E. Goodwin	2000	130,000	116,675	15,100 ¹¹	0	8,203 ¹²
		152,000				
Executive Vice President	2002	145,000				
	2001					
and Chief Operating Officer	2000	105,000	&nb			