

COLUMBIA BANKING SYSTEM INC
Form PRE 14A
March 04, 2009
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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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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1301 A Street

Tacoma, Washington 98402

March 23, 2009

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 22, 2009 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, you will be asked to approve amendments to (i) our Amended and Restated Stock Option and Equity Compensation Plan and (ii) our Employee Stock Purchase Plan, in each case to increase the number of shares available for issuance under those plans. You will also be asked to consider an advisory resolution on executive compensation, and to ratify the appointment of our independent registered public accountants for the 2009 fiscal year.

Our directors are elected annually for one-year terms. You also will have the opportunity to hear what has happened in our business and our industry 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, 2008.

We hope that you can join us on April 22nd. **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 22, 2009

TIME	1:00 p.m. on Wednesday, April 22, 2009
PLACE	Greater Tacoma Convention & Trade Center 1500 Broadway, Tacoma, Washington
ITEMS OF BUSINESS	<ol style="list-style-type: none">(1) To elect nine directors to serve on the Board until the 2010 Annual Meeting of Shareholders.(2) To amend Columbia's Amended and Restated Stock Option and Equity Compensation Plan to increase the number of shares available under the plan.(3) To amend Columbia's Employee Stock Purchase Plan to increase the number of shares available under the plan.(4) To consider and approve an advisory (non-binding) resolution on Columbia's executive compensation.(5) To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accountants for the fiscal year ending December 31, 2009.(6) To transact such other business as may properly come before the meeting or any adjournment thereof.
RECORD DATE	You are entitled to vote at the annual meeting and at any adjournments or postponements thereof if you were a shareholder at the close of business on Monday, March 2, 2009.
VOTING BY PROXY	Please submit your proxy card as soon as possible so that your shares can be voted at the annual meeting in accordance with your instructions. For specific instructions on voting, please refer to the instructions in the proxy statement and on your enclosed proxy form.

By Order of the Board

Cathleen L. Dent

Secretary

This proxy statement and the accompanying proxy card are being distributed on or about

March 23, 2009

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COLUMBIA BANKING SYSTEM, INC.

1301 A Street

Tacoma, Washington 98402-4200

(253) 305-1900

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials for the 2009 Shareholder Meeting:

A copy of this Proxy Statement and the Annual Report to Shareholders for the year ended December 31, 2008 are available at www.columbiabank.com.

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 2, 2009 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 18,253,927 shares of Columbia common stock outstanding on the Record Date.

In this proxy statement, the terms we, us or our refer to Columbia Banking System, Inc.

Voting materials, which include this proxy statement and a proxy card together with the 2008 Annual Report, are being mailed to shareholders on or about March 23, 2009.

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INFORMATION 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?

Our Board of Directors is sending you this proxy statement in connection with its solicitation of proxies for use at the 2009 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.

We will pay for the costs of solicitation. We do 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 our common stock. However, management may, if it determines it necessary to obtain the requisite shareholder vote, retain the services of a proxy solicitation firm.

What am I voting on?

At the Annual Meeting you will be asked to vote on:

the election of nine directors to serve on the Board until the 2010 Annual Meeting of Shareholders or until their successors have been elected and have qualified;

the amendment of Columbia's Amended and Restated Stock Option and Equity Compensation Plan, which we refer to as the Stock Option Plan, to increase the number of shares available for issuance under the Stock Option Plan;

the amendment of Columbia's Employee Stock Purchase Plan, which we refer to as the ESPP, to increase the number of shares available for issuance under the ESPP;

the approval of an advisory (non-binding) resolution on Columbia's executive compensation; and

ratification of Deloitte & Touche LLP as the Company's independent registered public accountants for the fiscal year ending 2009.

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.

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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 Broadridge Financial Solutions Inc. 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 Broadridge program, you may grant a proxy to vote those shares by calling the telephone number shown on the instruction form received from your broker or bank.

General information for all shares voted via the Internet. We must receive votes submitted via the Internet by 11:59 p.m. on April 21, 2009. Submitting your proxy via the Internet will not affect your right to vote in person should you decide to attend the annual meeting.

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 amendment of the Stock Option Plan, FOR the amendment of the ESPP, FOR the approval of the advisory (non-binding) resolution on executive compensation, and FOR the ratification of the independent registered public accountants for the fiscal year 2009.

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 signed proxy card or do not vote in person at the Annual Meeting, your shares will not be voted.

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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 Stock Option Plan and the ESPP, your broker cannot vote your shares on these proposals.

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, 18,253,927 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 (i) the broker has not received voting instructions from the beneficial owner and (ii) 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 directors.

What vote is required to amend the Stock Option Plan and the ESPP?

Shareholders will vote on separate proposals to amend the Stock Option Plan and the ESPP. However, the vote required to amend the two plans is the same. The affirmative votes FOR by a majority of those shares present and entitled to vote are required to amend each of the Stock Option Plan and the ESPP. You may vote, separately as to amendment of each plan, FOR, AGAINST or ABSTAIN from amending such plan. Abstentions and broker non-votes will have no effect on the outcome of the two proposals.

What vote is required to approve the advisory resolution on executive compensation?

The affirmative vote FOR by a majority of those shares present and entitled to vote is required to approve the advisory (non-binding) resolution on the compensation of Columbia's executives described in the Compensation Discussion & Analysis and the tabular and narrative disclosure in this proxy statement. You may vote FOR, AGAINST or ABSTAIN from approving the advisory (non-binding) resolution on executive compensation.

What vote is required to ratify the independent registered public accountants?

The proposal to ratify the appointment of Deloitte & Touche LLP as Columbia's independent registered public accountants will be adopted if a majority of the votes are cast FOR the proposal. You may vote FOR or AGAINST the proposal. Abstentions and broker non-votes will have no effect on the outcome of the proposal.

Can I vote on other matters?

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

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When are proposals for the 2010 Annual Meeting due?

Proposals by shareholders to transact business at Columbia's 2010 Annual Meeting must be delivered to Columbia's Secretary no later than November 23, 2009, in order to be considered for inclusion in our proxy statement and proxy card and should contain such information as is required under our Bylaws. Such proposals will also 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 us no later than November 23, 2009 and should contain such information as required under our 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 their discretionary authority to vote the shares it represents as the Board may recommend.

How do I nominate someone to be a director?

In order for a shareholder to nominate a director for consideration at an annual meeting, such shareholder must provide a written notice that contains the information required by our Bylaws to the Chairman of the Board, c/o Columbia's Corporate Secretary not less than 120 days in advance of the first anniversary of the date our proxy statement was mailed to shareholders for the preceding year's annual meeting. We did not receive any such nominations for directors for the 2009 annual shareholders meeting. For our annual meeting in 2010, we must receive this notice by November 23, 2009. You can obtain a copy of the full text of the Bylaws provision by writing to the Corporate Secretary, 1301 A Street, Tacoma, Washington 98402. A copy of our Bylaws is posted on our website.

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

Table of Contents**STOCK OWNERSHIP***Are there any owners of more than 5% of Columbia's stock?*

As of December 31, 2008, the following shareholders beneficially owned more than 5% of the outstanding shares of Columbia common stock:

Name and Address	Number of Shares(1)	Percentage
Dimensional Fund Advisors LP(2) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	1,195,774	6.59%
Barclays Global Investors NA(3) 45 Fremont Street San Francisco, CA 94105	1,405,561	5.80%
Investment Counselors of Maryland, LLC(4) 803 Cathedral Street Baltimore, MD 21201	944,100	5.20%

- (1) Pursuant to rules promulgated by the SEC, a person or entity is considered to beneficially own shares of common stock if the person or entity has or shares (i) voting power, which includes the power to vote or direct the voting of the shares, or (ii) investment power, which includes the power to dispose of or direct the disposition of the shares.
- (2) Based on a Schedule 13G filed under the Exchange Act. The securities are beneficially owned by various investment companies and commingled group trusts and separate accounts as to which Dimensional Fund Advisors LP (Dimensional) serves as investment advisor or investment manager with power to direct the disposition and/or voting of the securities. Dimensional disclaims beneficial ownership of the securities.
- (3) Based on a Schedule 13G filed under the Exchange Act. The securities are beneficially owned by Barclays Global Investors, NA and related entities, including Barclays Global Fund Advisors and Barclays Global Investors, Ltd. Barclays Global Investors, NA reported beneficial ownership of 640,489 shares, or 3.53% of outstanding common stock. Barclays Global Fund Advisors reported beneficial ownership of 818,716 shares, or 4.51% of outstanding common stock. Barclays Global Investors, Ltd. reported beneficial ownership of 12,221 shares, or 0.07% of outstanding common stock.
- (4) Based on a Schedule 13G filed under the Exchange Act.

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

The following table shows, as of February 13, 2009, 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 our directors and executive officers as a group. Except as otherwise noted, we believe 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.

Name	Position	Number(1)	Percentage(1)
William T. Weyerhaeuser	Chairman of the Board	236,746(2)	1.30%
Melanie J. Dressel	Director, President and Chief Executive Officer	102,196(3)	*
John P. Folsom	Director	32,658(4)	*
Frederick M. Goldberg	Director	15,344(5)	*
Thomas M. Hulbert	Director	41,015	*
Thomas L. Matson, Sr.	Director	72,079	*
Andrew L. McDonald	Executive Vice President, Chief Credit Officer	18,586(6)	*
Mark W. Nelson	Executive Vice President, Chief Operating Officer	24,318(7)	*
Daniel C. Regis	Director	9,500(8)	*
Kent L. Roberts	Executive Vice President, Director of Human Resources	11,455(9)	*
Donald H. Rodman	Director	28,260(10)	*
Gary R. Schminkey	Executive Vice President, Chief Financial Officer	32,412(11)	*
James M. Will	Director	30,357	*
Directors and executive officers as a group (13 persons)		654,926	3.60%

* Represents less than 1% of outstanding common stock.

- (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 or other rights exercisable on March 20, 2008, 60 days after January 20, 2008 as follows: Mr. Folsom 2,870 shares; Mr. Matson 1,820 shares; Mr. McDonald 5,000 shares; Mr. Rodman 1,820 shares; Mr. Weyerhaeuser 2,153 shares; Mr. Will 1,820; and directors and executive officers as a group 15,483 shares.
- (2) 218,249 shares are held indirectly by WBW Trust Number One, for which Mr. Weyerhaeuser is the trustee with sole voting and investment power.
- (3) Includes 51,134 shares held in Ms. Dressel's Family LLC, 2,408 shares held by a corporation owned by Ms. Dressel and her spouse, 7,398 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.

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- (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 2,369 shares held in Mr. McDonald's 401(k).
- (7) Includes 2,360 shares held in Mr. Nelson's 401(k).

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- (8) Includes 7,500 shares held by the Regis Family Trust.

- (9) Includes 773 shares held in Mr. Roberts' 401(k).

- (10) Includes 5,675 shares held in Mrs. Rodman's IRA, 5,625 shares held in Mr. Rodman's IRA, 4,267 shares held in a Living Trust for the benefit of the Rodman estate.

- (11) Includes 8,359 shares held in Mr. Schminkey's 401(k).

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INFORMATION ABOUT THE DIRECTORS AND NOMINEES

How many directors are nominated?

Our 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 2008 Annual meeting. Our 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 2010 Annual Meeting or until their successors are elected.

What is the retirement age for directors?

Our 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.

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PROPOSAL NO. 1

ELECTION OF DIRECTORS

Information regarding each of the nominees is provided below, including each nominee's name, age as of the Record Date, principal occupation during the past five years, and the year first elected 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, 56, 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, 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 30 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, 64, served as the president of Brown & Brown, Inc. of Washington, formerly Raleigh, Schwarz & Powell (insurance brokers and consulting), Tacoma, Washington, from 1990 through December 31, 2006 and currently serves as an independent consultant on insurance and risk management matters.

Frederick M. Goldberg Director since 2003
Mr. Goldberg, 69, 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, 62, 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, 71, has been the Chairman 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, 69, has been part owner and managing director of Digital Partners, LLC, Bellevue, Washington since January 2000. He is currently a director of two other public companies; Cray, Inc. and Art Technology Group. Mr. Regis was a certified public accountant and a partner at Price Waterhouse from 1964 until 1996 and is the designated Financial Expert, as defined by Sarbanes Oxley.

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Donald H. Rodman

Director since 1991

Mr. Rodman, 70, has been the owner and the Vice President 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, 65, 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 which has a class of securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934. Mr. Weyerhaeuser is a director of Clearwater Paper Corporation.

James M. Will

Director since 1993

Mr. Will, 62, serves as the president of Titus-Will Enterprises (automobile dealerships 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.

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CORPORATE GOVERNANCE

Guidelines

The Board of Directors is committed to good business practices, transparency in financial reporting and the highest level of corporate governance. We operate within a comprehensive plan of corporate governance for the purpose of defining responsibilities, setting high standards of professional and personal conduct and assuring compliance with such responsibilities and standards. We regularly monitor developments in the area of corporate governance and our corporate governance policies, practices and committee charters are reviewed periodically and updated as necessary to reflect changes in regulatory requirements and evolving oversight practices.

Code of Ethics

We have adopted a Code of Ethics for Senior Financial Officers, which applies to our principal executive officer, principal financial officer, principal accounting officer or controller, and any persons performing similar functions.

You can access our current charters, including our Code of Ethics, Audit Committee, Corporate Governance and Nominating Committee and Personnel/Compensation Committee charters, Corporate Governance Policy, Code of Conduct and our Bylaws in the Corporate Governance section of our website at www.columbiabank.com, or by writing to: Columbia Banking System, Inc., Attention: Corporate Secretary, 1301 A Street, Tacoma, Washington, 98402-4200.

Director Independence

The Board has analyzed the independence of each director and nominee and has determined that the following members of the Board meet 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. In determining the independence of each director, the Board considered many factors, including any lending with the directors, each of which were made on the same terms as comparable transactions made with other persons. Such arrangements are discussed in detail in the section entitled *Interest of Management in Certain Transactions*.

Based on these standards, the Board has determined that each of the following non-employee directors is independent and has no relationship with the Company, except as a director and shareholder:

John P. Folsom
Frederick M. Goldberg
Thomas M. Hulbert
Thomas L. Matson, Sr.

Daniel C. Regis
Donald H. Rodman
William T. Weyerhaeuser
James M. Will

Based on the standards described above, the Board determined that Melanie J. Dressel, who serves as the President and Chief Executive Officer of the Company, is not independent because she is an executive officer of the Company.

Shareholder Communications with the Board of Directors

Shareholders and other interested parties may communicate with the Board by writing to the Chairman of the Board c/o Columbia's Corporate Secretary, Columbia Banking System, Inc., 1301 A Street, Tacoma, Washington, 98402-4200. These communications will be reviewed by our Corporate Secretary and if they are relevant to, and consistent with, our operations and policies, they will be forwarded to the Chairman of the Board.

Table of Contents**BOARD STRUCTURE AND COMPENSATION*****How often did the Board of Directors meet during 2008?***

The Board met 13 times during 2008. 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. During 2008, the independent directors held 7 meetings.

What committees has the Board established?

The Board has established, among others, an Audit Committee, Personnel and Compensation Committee, and a Corporate Governance and Nominating Committee.

The following table shows the membership of the various committees during the year 2008.

Committee Membership

Name	Audit	Compensation	Nominating
John P. Folsom	þ*	..	þ
Frederick M. Goldberg	..	þ	..
Thomas M. Hulbert	þ	þ*	þ
Thomas L. Matson, Sr.	..	þ	þ
Daniel C. Regis	þ
Donald H. Rodman	..	þ	..
William T. Weyerhaeuser	þ*
James M. Will	þ

* Committee Chair

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. Mr. Regis has been identified as the qualified Audit Committee Financial Expert as required by SEC guidelines under the Sarbanes-Oxley Act of 2002. The committee held 15 meetings during 2008.

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;

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maintain procedures for the receipt, retention and treatment of complaints regarding financial matters; and