

FIRST MARINER BANCORP  
Form DEF 14A  
November 09, 2012

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

**SCHEDULE 14A**

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

Filed by the Registrant   
Filed by a Party other than the Registrant   
Check the appropriate box:

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

**First Mariner 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.
- 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:  
N/A
  - (2) Aggregate number of securities to which transaction applies:  
N/A
  - (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):  
N/A
  - (4) Proposed maximum aggregate value of transaction:  
N/A
  - (5) Total fee paid:  
N/A
- Fee paid previously with preliminary materials. N/A
- 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.:

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**FIRST MARINER BANCORP  
1501 S. CLINTON STREET  
BALTIMORE, MARYLAND 21224**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TIME AND DATE** 1:00 p.m. on Monday, December 3, 2012

**PLACE** First Mariner Bank  
3301 Boston Street, 2nd Floor  
Baltimore, Maryland 21224

**ITEMS OF BUSINESS**

- (1) To elect three nominees for a term of three years and until their successors are duly elected and qualified;
- (2) The ratification of the appointment of Stegman & Company as the independent registered public accounting firm for the Company for the year ending December 31, 2012; and
- (3) Other matters that may properly come before the meeting or any adjournment thereof.

**RECORD DATE** In order to vote, you must have been a stockholder at the close of business on October 4, 2012.

**PROXY VOTING** It is important that your shares be represented and voted at the meeting. You can vote your shares by completing and returning the enclosed proxy card sent to you. Voting instructions are printed on your proxy card and included in the accompanying proxy statement. Most holders will be able to vote by phone or Internet by following the instructions on their proxy form. If you need help in voting your shares or if you have any questions regarding the proposals, please call our Chief Financial Officer, Paul B. Susie at (443) 955-7027. You can revoke a proxy at any time before its exercise at the meeting by following the instructions in the proxy statement. A copy of the following proxy statement and the enclosed proxy card are also available on the Internet at <http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=08777>.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Eugene A. Friedman  
Eugene A. Friedman  
*Secretary*

November 9, 2012

**Important Notice Regarding the Availability of Proxy Materials  
For the Stockholder Meeting to be Held on December 3, 2012:**

**The attached Proxy Statement, the attached form of Proxy, and First Mariner Bancorp's Annual Report to Stockholders (including its Annual Report on Form 10-K) are available at <http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=08777>. Information on this website, other than this Proxy Statement, is not a part of this Proxy Statement.**

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**FIRST MARINER BANCORP**  
**1501 South Clinton Street**  
**Baltimore, Maryland 21224**  
**(410) 342-2600**

**PROXY STATEMENT**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held on Monday, December 3, 2012 at 1:00 P.M.**

**SOLICITATION AND REVOCATION OF PROXIES**

The enclosed proxy is solicited by the Board of Directors of First Mariner Bancorp (the Company) for use at the Annual Meeting of Stockholders (the Meeting) to be held on December 3, 2012 at First Mariner Bank, 3301 Boston Street, 2nd Floor, Baltimore, Maryland 21224. The proxy is revocable at any time prior to or at the Meeting by voting at the Meeting or by timely and properly delivering prior to the Meeting a duly executed later-dated proxy. In addition to solicitation by mail, proxies may be solicited by officers, directors and employees of the Company who will not be specifically compensated for soliciting such proxies. The cost of soliciting proxies will be borne by the Company and may include reasonable out-of-pocket expenses in forwarding proxy materials to beneficial owners. Brokers and other persons will be reimbursed for their reasonable expenses in forwarding proxy materials to beneficial owners of the common stock of the Company registered in names of nominees. This proxy material is being sent to the Company's stockholders on or about November 9, 2012.

**OUTSTANDING SHARES AND VOTING RIGHTS**

Stockholders of record at the close of business on October 4, 2012 (the Record Date) are entitled to notice of and to vote at the Meeting. As of the close of business on the Record Date, there were outstanding and entitled to vote 18,860,482 shares of common stock, \$.05 par value (Common Stock), each of which is entitled to one vote.

The presence, in person or by proxy, of stockholders entitled to cast a majority of all votes entitled to be cast at the Meeting shall constitute a quorum. The affirmative vote of a majority of all shares voted at the Meeting is sufficient to carry motions presented with respect to Proposal One and Proposal Two described in this Proxy Statement. The withholding of a vote for a Director nominee will constitute a vote against that nominee. A broker non-vote with respect to the election of Directors will have no impact on the outcome of that vote. In counting votes on the proposal to ratify the selection of the independent registered public accounting firm, abstentions will have the same effect as a negative vote while broker non-votes will have no impact on the outcome of the proposal. A withheld vote, an abstention and a broker non-vote will all be counted for purposes of determining whether a quorum is present for the transaction of business. The Company designates individuals who will be present at the Meeting to serve as the Inspectors of Elections for purposes of tallying shares voted.

If you hold your shares in street name it is critical that you cast your vote if you want it to count in the election of Directors (Proposal 1 of this Proxy Statement). In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf for this proposal as they felt appropriate.

Recent changes in regulation were made to take away the ability of your bank or broker to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of directors, no votes will be cast on your behalf. These are referred to as broker non-votes. Your bank or broker will, however, continue to have discretion to vote any uninstructed shares on the proposal to ratify the appointment of the Company's independent registered public accounting firm



(Proposal 2). If you are a stockholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the annual meeting.

All properly executed proxies received pursuant to this solicitation will be voted as directed by the stockholders in their proxy cards. If no direction is given in your proxy card, your shares of Common Stock will be voted **FOR ALL NOMINEES** named in Proposal 1 and **FOR** the proposal to ratify the appointment of the Company's independent registered public accounting firm for the fiscal year ended December 31, 2012, as described in Proposal 2. If other matters are properly presented at the Meeting, persons named as the proxies will have discretion to vote on those matters according to their best judgment.

### STOCK OWNERSHIP

The following table provides information as of October 4, 2012 with respect to persons and entities known to the Company to be the beneficial owner of more than 5% of the Company's outstanding common stock. A person or entity may be considered to beneficially own any shares of common stock over which the person or entity has, directly or indirectly, sole or shared voting or investing power.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Shares of Common Stock Outstanding
Edwin F. Hale, Sr. <sup>(1)</sup> c/o D. Scott Freed, Esq. Whiteford, Taylor & Preston, L.L.P. Seven Saint Paul Street Baltimore, MD 21202	2,226,518	11.8 %

(1) Based solely on a Schedule 13D/A filed by Mr. Hale on December 30, 2011. Mr. Hale, the Company's and the Bank's former Chairman and Chief

Executive  
Officer,  
retired  
effective  
December  
22, 2011.

The following table sets forth, as of October 4, 2012, certain information as to the common stock beneficially owned by each of the Company's directors and by all executive officers and directors of the Company as a group.

Name and Address of Beneficial Owner <sup>(1)</sup>	Amount and Nature of Beneficial Ownership <sup>(2)</sup>	Percent of Shares of Common Stock Outstanding <sup>(3)</sup>
<b><i>Directors and Executive Officers:</i></b>		
Barry B. Bondroff <sup>(4)</sup>	128,961	*
John Brown, III <sup>(5)</sup>	69,860	*
Robert Caret <sup>(6)</sup>	68,505	*
George H. Mantakos <sup>(7)</sup>	131,823	*
John J. Oliver, Jr. <sup>(8)</sup>	28,645	*
Patricia Schmoke, MD <sup>(9)</sup>	15,060	*
Hector Torres <sup>(10)</sup>	25,055	*
Michael R. Watson <sup>(11)</sup>	70,444	*
Anirban Basu <sup>(12)</sup>	33,093	*
Gregory A. Devou <sup>(13)</sup>	50,104	*
Mark A. Keidel <sup>(14)</sup>	84,877	*
Paul B. Susie		*
All directors and executive officers as a group (12 persons) <sup>(15)</sup>	706,427	3.8 %

\* Less than 1%.

(1) All executive officers and directors of the Company have the Company's address:  
1501 S. Clinton Street,  
Baltimore, Maryland  
21224.

(2) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of common stock if he has or shares voting or investment power with respect to such common stock or has a right to acquire beneficial ownership at any time within 60 days from October 4, 2012. As used herein, voting power is the power to vote or direct the voting of shares and investment power is the power to dispose or direct the disposition of shares. Unless



otherwise indicated, the beneficial owner has sole voting and investment power with respect to the listed shares.

(3) Based on 18,860,482 shares outstanding, plus the number of shares of Company common stock which such person or group of persons has the right to acquire within 60 days after October 4, 2012 by the exercise of stock options.

(4) Includes 39,242 shares in his Individual Retirement Account, and 10,450 shares held jointly with his wife, and options to purchase 11,550 shares.

- (5) Includes options to purchase 6,350 shares.
- (6) Includes options to purchase 1,950 shares.
- (7) Includes 34,900 shares held in his Individual Retirement Account, 11,650 held jointly with his wife, and options to purchase 62,500 shares.
- (8) Includes options to purchase 6,500 shares.
- (9) Includes options to purchase 5,400 shares.
- (10) Includes options to purchase 4,100 shares.
- (11) Includes 1,435 shares held jointly with his wife and options to purchase 11,100 shares.
- (12) Includes options to

purchase  
500 shares.

(13) Includes  
options to  
purchase  
600 shares.

(14) Includes  
options to  
purchase  
41,000  
shares.

(15) Includes  
options and  
warrants to  
purchase  
151,550  
shares.

**Proposal One:  
ELECTION OF DIRECTORS**

The number of directors constituting the Board of Directors is currently set at 11. Directors are divided into three classes, as nearly equal in number as possible, with respect to the time for which the directors may hold office. Directors are generally elected to three-year terms, and one class of directors expires each year. In all cases, directors are elected until their successors are duly elected and qualify. At this year's meeting, the Board proposes the election of Messrs. Caret, Keidel and Oliver for three-year terms. Each of the current directors whose terms expire in 2012 are standing for re-election. The directors whose terms do not expire in 2012 will continue to serve as directors until the expiration of their respective terms in accordance with the Company's Articles of Incorporation and Bylaws. It is not contemplated that any of the nominees will become unavailable to serve, but if that should occur before the Meeting, proxies that do not withhold authority to vote for the nominees listed below will be voted for another nominee, or nominees, selected by the Board of Directors.

The Board of Directors of the Company recommends that stockholders vote **FOR** election of all nominees.

Information concerning the persons nominated for election and for those directors whose term of office will continue after the Meeting is set forth below.

**NOMINEES FOR ELECTION****Term to Expire in 2015**

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
John J. Oliver, Jr.	66	1997
Robert Caret	65	2006
Mark A. Keidel	50	2009

*John J. Oliver, Jr.* has been the CEO and Publisher of the Afro-American Publishing, Co. since 1996.

Mr. Oliver's experience as CEO and Publisher of the Afro-American Publishing, Co. provides the Board valuable management level experience. In addition, Mr. Oliver's continued involvement in community organizations and local political matters is a vital component of a well-rounded board.

*Robert Caret* is the President of the University of Massachusetts. He was the President of Towson University from 2003-2011, the President of San Jose State University from 1995-2003, and Provost and Executive Vice President of Towson State University from 1991-1995. He is currently a member of the Board of Directors for CollegeBound Foundation and the Governor's Workforce Investment Board. He is also on the Board of Governors of the American Flag Foundation Board and serves on the Board of the Center Club of Baltimore.

As the leader of a complex organization with hundreds of employees, Mr. Caret brings significant executive experience to board deliberations. Mr. Caret serves on the board of directors of several major area not-for-profit organizations and his extensive knowledge of community affairs helps to ensure that the Company is able to reach out to meet community needs where appropriate.

*Mark A. Keidel*, was appointed as the chief executive officer of the Company and the Bank on an interim basis in December 2011. Mr. Keidel became President of the Bank in November 2011 and President and Chief Operating Officer of the Company and Chief Operating Officer of the Bank in May 2009. He joined the Bank as Executive Vice President and CFO in 2000. Prior to that, he served as the CFO of Carroll County Bank and Mason-Dixon Bancshares, Inc. Mason-Dixon Bancshares, Inc. was a \$1.2 billion multibank holding company headquartered in Westminster, Maryland that was acquired by BB and T Corporation in 1999. Mr. Keidel passed the Maryland Certified Public Accountant examination in 1992 and graduated from the Bank Administration Institute Financial School in 1991.

As a result of Mr. Keidel's tenure with the Company and the Bank, he affords the Board the opportunity to utilize his deep knowledge of and insight into the institution, its market areas, and operational risks. Mr. Keidel provides expertise with regard to tax, financial, and accounting matters.

**CONTINUING DIRECTORS****Term to expire in 2013**

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
George H. Mantakos	70	1994
Michael R. Watson	69	1998

Hector Torres	60	2003
Gregory A. Devou	60	2008

*George H. Mantakos* is an Executive Vice President of the Company. Mr. Mantakos previously served as President of the Company and President and CEO of the Bank. Prior thereto, Mr. Mantakos was a founder and organizer of MarylandBank, FSB, the predecessor of the Bank.

As a result of Mr. Mantakos' tenure with the Company and the Bank, he affords the Board the opportunity to utilize his deep knowledge of and insight into the institution, its market areas, and operational risks.

*Michael R. Watson* is the interim Chairman of the Board of the Company and the Bank. Mr. Watson is the President of the International Pilots Association and the former President of the American Pilots Association. Mr. Watson has served as a member of the Federal Reserve Board.

Mr. Watson has extensive management level experience both inside and outside of the financial services industry. Such management experience in regulated industries has exposed Mr. Watson to many of the issues facing public companies today, particularly regulated entities, making Mr. Watson a valued component of a well-rounded board.

*Hector Torres* is President of Prosaber Consulting, an Emergency Management Consulting Company. He was the former Executive Director of the Governor's Commission on Hispanic Affairs. He was formerly the Battalion Chief and Public Information Officer of the Baltimore City Fire Department.

Mr. Torres is an entrepreneur and is active in both the business and civic communities in the Baltimore area. Mr. Torres is one of the area's most visible minority leaders.

*Gregory A. Devou*, currently retired, was formerly the Executive Vice President and Chief Marketing Officer for CareFirst Blue Cross BlueShield, a healthcare payor since 1996. Prior to that, Mr. Devou served for a year as CareFirst Senior Vice President for Corporate Marketing.

Mr. Devou brings significant business and management level experience from a setting outside of the financial services industry. In addition, through his local business experience, Mr. Devou has gained significant local marketing knowledge, adding additional value to the board.

#### **Term to Expire in 2014**

<b>Name</b>	<b>Age</b>	<b>Director Since</b>
Barry B. Bondroff	63	1995
Patricia Schmoke, MD	58	1999
John Brown III	64	2002
Anirban Basu	43	2008

*Barry B. Bondroff* became a partner in the certified public accounting firm of Gorfine, Schiller & Gardyn, P.A. on July 1, 2008. He was the former managing partner for the certified public accounting firm of Smart & Associates in Baltimore, MD. Prior to that, he was the managing officer of Grabush, Newman & Co., P.A., a certified public accounting firm, since 1982. Mr. Bondroff is a member of the American Institute of Certified Public Accountants and is a former member of the Board of Directors of Baltimore Bancorp. Mr. Bondroff is a member of the Board of Directors of Medifast, Inc. (NYSE: MED).

Mr. Bondroff is a certified public accountant and has the financial background to qualify as an audit committee financial expert. Mr. Bondroff provides expertise with regard to tax, financial, and accounting matters.

*Patricia Schmoke, MD* has been a practicing ophthalmologist since 1982. She is also the president of Metropolitan Eye Care Associates, providing eye care with Baltimore Medical System.

Dr. Schmoke's strong ties to the community, through her medical practice and involvement in civic and professional organizations, provides the Board with valuable insight regarding the local business and consumer environment.

*John Brown III* is President of M.B.K. Enterprises, Inc. (R. J. Bentley's Restaurant) and managing partner of the College Park Professional Office Building, LLC. Mr. Brown is also the former Chairman of the Maryland Stadium Authority.

As President of M.B.K. Enterprises, Inc. and managing partner of the College Park Professional Office Building, LLC, Mr. Brown provides the Board with essential business and finance experience, as well as valuable leadership capability.

*Anirban Basu* is the founder, Chairman, and CEO of Sage Policy Group, Inc., an economic and policy consulting firm in Baltimore, Maryland since 2004. He has a Bachelor of Science Degree from

Georgetown University, and Master's Degrees from Harvard University and The University of Maryland as well as a J.D. from the University of Maryland School of Law.

As an entrepreneur and as Chairman and CEO of Sage Policy Group, Inc., Mr. Basu brings significant business and management level experience from a setting outside of the financial services industry. In addition, through his business and education experience, Mr. Basu has gained significant technological knowledge, adding additional value to the board.

### **DIRECTORS EMERITUS**

We currently have two Directors Emeritus: Melvin S. Kabik and Governor Marvin Mandel.

### **BOARD MEETINGS AND COMMITTEES**

#### **GOVERNANCE OF THE COMPANY**

Our business, property and affairs are managed by or, are under the direction of, the Board of Directors, pursuant to the Maryland General Corporation Law and our Bylaws. Members of the Board of Directors are kept informed of the Company's business through discussions with the Chairman, with the President and other Executive Officers, and with key members of management by reviewing materials provided to them and participating in meetings of the Board and its committees.

The Board of Directors and management periodically review the corporate governance policies and practices of the Company, including by comparing our current policies and practices to policies and practices suggested by our outside counsel and other public companies. Based upon these periodic reviews, the Board of Directors adopts changes from time to time that the Board believes are the best corporate governance policies and practices for the Company and/or are required by applicable law, including the Securities Exchange Act of 1934, as amended (the Exchange Act), and The NASDAQ Stock Market.

#### **DIRECTOR INDEPENDENCE**

The Board of Directors has determined that all of its members are independent under the listing standards of The NASDAQ Stock Market, except for the management directors, Mark A. Keidel and George H. Mantakos, who are each executive officers of the Company. In determining the independence of its directors, the Board of Directors considered transactions, relationships and arrangements between the Company and its directors that are not required to be disclosed under the heading *Transactions with Certain Related Persons*, including loans or lines of credit that 1st Mariner Bank has directly or indirectly made to Directors Basu, Bondroff, Brown, Caret, Devou, Keidel, Mantakos, Schmoke, and Torres.

#### **BOARD LEADERSHIP STRUCTURE AND BOARD'S ROLE IN RISK OVERSIGHT**

The Board of Directors has determined that the separation of the offices of Chairman of the Board and President and Chief Executive Officer will enhance Board independence and oversight. Moreover, the separation of the Chairman of the Board and President and Chief Executive Officer will allow the President and Chief Executive Officer to better focus on his responsibilities of running the Company, enhancing stockholder value and expanding and strengthening our franchise while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and independent oversight of management. Consistent with this determination, Michael R. Watson serves as Chairman of the Board of Directors. Mr. Watson is independent under the listing requirements of The NASDAQ Stock Market.



To further strengthen the regular oversight of the full Board and in compliance with the requirements of The NASDAQ Stock Market, the Audit, Nominating and Compensation Committees of the Board are entirely comprised of independent directors. The Compensation Committee reviews and evaluates the performance of all executive officers of the Company including the CEO and reports to the Board. The Audit Committee oversees the Company's

financial practices, regulatory compliance, accounting procedures and financial reporting functions. In addition, the Audit Committee is specially entrusted by law to fully review and make recommendations to the full Board on related party transactions and possible conflicts of interest, if any. Furthermore, as a regulated entity, all related party transactions are closely scrutinized by federal and state government agencies that regularly examine the Company.

The Board believes that success is promoted by active and independent directors and loyal and hard-working executives who act consistently with a strong set of corporate governance ethics, rather than a particular Board structure. The Board believes that it needs to retain the ability to balance board structure with the flexibility to determine board leadership. The Board does not currently have a lead director.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with management to discuss strategy and the risks facing the Company. Senior management attend Board meetings and is available to address any questions or concerns raised by the Board on risk management and any other matters. The Chairman of the Board and the other independent members of the Board work together to provide strong, independent oversight of the Company's management and affairs through its standing committees and special meetings of independent directors.

#### **DIRECTORS ATTENDANCE AT ANNUAL MEETINGS**

Although the Company does not have a formal policy regarding director attendance at annual stockholder meetings, all directors are encouraged to attend the annual meeting of stockholders and the annual meeting of the Board of Directors. All of the Company's directors who were serving as such attended the 2011 Annual Meeting of Stockholders.

#### **STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

Stockholders may communicate directly with any member of the Board of Directors of the Company by writing the First Mariner Bancorp Board of Directors, 1501 South Clinton Street, Baltimore, MD 21224. Communications received are distributed to the Chairman of the Board, Chairman of the Audit Committee or other member of the Board as appropriate, depending on the facts and circumstances of the communications.

#### **COMMITTEES OF THE BOARD OF DIRECTORS**

During 2011, the Board of Directors met eight times, the Audit Committee met eight times, the Compensation Committee met once, and the Nominating Committee met once. Each director attended at least 75% or more of all meetings of the Board of Directors and Committees of the Board on which he or she served during 2011.

All members of each of the Audit, Compensation and Nominating Committees are independent in accordance with the listing requirements of The NASDAQ Stock Market. Each committee operates under a written charter that is approved by the Board of Directors that governs its composition, responsibilities and operation. Each committee reviews and reassesses the adequacy of its charter at least annually. The charters of all three committees are available in the Governance Documents portion of the Investor Relations section of the Company's Web site

(www.1stmarinerbancorp.com). The following table identifies our standing committees and their members as of October 4, 2012.

<b>Name</b>	<b>Audit</b>	<b>Compensation</b>	<b>Nominating</b>
Anirban Basu			
Barry B. Bondroff	X	Chairman	
John Brown III	X		X
Robert L. Caret	X	X	Chairman
Gregory A. Devou	X	X	X
Mark A. Keidel			
George H. Mantakos			
John J. Oliver, Jr.			
Patricia L. Schmoke			
Hector Torres			
Michael R. Watson	Chairman		

#### **AUDIT COMMITTEE**

The Board of Directors has determined that Barry B. Bondroff, CPA qualifies as an audit committee financial expert under the rules of the Securities and Exchange Commission (the SEC).

The Audit Committee meets with management and independent public accountants to review financial results and the quarterly and annual reports, discuss the financial statements, the auditor's independence and accounting methods, and recommend and review with such accountants and management the internal accounting procedures and controls. The Audit Committee also discusses with the Company's senior management and independent public accountants the process used for certifications by the Company's CEO and CFO that are required by the Exchange Act and the rules promulgated thereunder. The Audit Committee is responsible for engaging the independent public accountants and also reviews, considers and makes recommendations regarding proposed related party transactions, if any. The Audit Committee Report is included in this proxy statement.

#### **COMPENSATION COMMITTEE**

The Compensation Committee reviews and determines salaries and other benefits for executive and senior management of the Company and its subsidiaries, reviews and determines the employees to whom stock-based compensation is granted and the terms of such grants, and reviews the selection of officers who participate in incentive and other compensation plans and arrangements. The Compensation Committee reviews all components of compensation including base salary, bonus, equity compensation, benefits and other perquisites. In addition to reviewing competitive market values, the Compensation Committee also examines the total compensation mix, pay-for-performance relationship and how all elements, in the aggregate, comprise the executives' total compensation package. The CEO makes recommendations to the Compensation Committee from time to time regarding the appropriate mix and level of compensation for other officers. Those recommendations consider the objectives of our compensation philosophy and the range of compensation programs authorized by the Compensation Committee. Decisions by the Compensation Committee with respect to the compensation of executive officers are approved by the full Board of Directors. The Compensation Committee determines director compensation by reviewing peer group comparison reports prepared by compensation consultants.

#### **NOMINATING COMMITTEE**

The Nominating Committee selects qualified persons as nominees for election by the stockholders to the Company's Board of Directors. The duties and responsibilities of the Nominating Committee include, among other things:

Establish  
criteria and  
qualifications  
for Board  
membership,  
including  
standards for  
assessing  
independence.

Identify and consider candidates, including those recommended by stockholders and others, to fill positions on the Board, and assess the contributions and independence of incumbent directors in determining whether to recommend them for reelection to the Board.

Recommend to the Board candidates for election or reelection at each annual meeting of stockholders.

In evaluating candidates for nominees for director, the Nominating Committee considers the needs of the Company with respect to the particular talents and experience of its directors. Nominees should have, among other things, the highest ethical standards and integrity; a willingness to act and be accountable for Board decisions; an ability to provide wise, informed and thoughtful counsel to top management on a range of issues; loyalty and commitment to driving the success of the Company; sufficient time to devote to the affairs of the Company; and a history of achievements that reflect high standards for the nominee and others. Further, when identifying nominees to serve as director, the Nominating Committee seeks to create a Board that is strong in its collective knowledge and has a diversity of skills and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge and corporate governance.

The Nominating Committee may identify director nominees through a combination of referrals, including by management, existing Board members, stockholders, direct solicitations and from outside search firms if warranted. Once a candidate has been identified, the Nominating Committee reviews the individual's experience and background and may discuss the proposed nominee with the source of the recommendation.

The Nominating Committee's recommendations are presented to the Board of Directors at regularly scheduled meetings. The Nominating Committee will also consider recommendations by stockholders, which must be submitted in writing to the Secretary of the Company at its principal executive office and include the recommended candidate's

name, biographical data and qualifications. It should be noted that a stockholder recommendation is not a nomination, and there is no guarantee that a candidate recommended by a stockholder will be approved by the Nominating Committee or nominated by the Board of Directors. A stockholder who desires to nominate a candidate for election may do so only in accordance with the Company's Bylaws. Pursuant to the Company's Bylaws, any stockholder that wishes to submit director nominations must submit advance notice of the proposed nomination to the Secretary of the Company not less than 90 days or more than 120 days in advance the anniversary date of the release of the Company's proxy statement to stockholders in connection with the preceding year's annual meeting of stockholders, provided that if the date of the annual meeting has been changed by more than 30 days from the anniversary of the annual meeting date stated in the previous year's proxy statement, nominations must be received by the Company not later than the close of business on the 10th day following the first public announcement of the date of the meeting. In addition to meeting the applicable deadline, nominations must be accompanied by certain information specified in the Company's Bylaws.

The Nominating Committee received no security holder recommendations for nomination to the Board of Directors in connection with the 2012 Meeting.

### **DIRECTORS' COMPENSATION**

Directors who are not employees of the Company receive fees for their services and are reimbursed for expenses incurred in connection with their service as directors. Directors currently receive \$1,000 for each Board meeting attended (\$250 for Board meetings attended via teleconference), \$250 for each meeting of the Mortgage Oversight Committee, \$250 for each meeting of the Investment Committee, \$250 for attending the meeting of the Bank's Loan Committee, which includes one outside director (Barry B. Bondroff), and \$1,000 for each committee meeting other than those listed. The members of the Audit Committee currently receive \$2,000 for each Audit Committee meeting attended. Directors receive no other compensation for attending meetings and receive no annual retainer. The following table provides information about the compensation paid to or earned by the Company's directors during 2011 who are not named executive officers (as defined

below). Information regarding directors who are also named executive officers is presented in the Summary Compensation Table below.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Option Awards (\$)<sup>(1)</sup></b>	<b>Total (\$)</b>
Anirban Basu	\$ 23,250		\$ 23,250
Barry B. Bondroff	\$ 56,500		\$ 56,500
John Brown, III	\$ 46,250		\$ 46,250
Robert L. Caret	\$ 45,250		\$ 45,250
Gregory A. Devou	\$ 47,250		\$ 47,250
John J. Oliver, Jr.	\$ 19,250		\$ 19,250
Patricia L. Schmoke	\$ 13,250		\$ 13,250
Hector Torres	\$ 19,250		\$ 19,250
Michael R. Watson	\$ 44,250		\$ 44,250

(1) The number of stock options outstanding for each director as of December 31, 2011, all of which are exercisable, are set forth in the table below.

<b>Director</b>	<b>Stock Options</b>
Anirban Basu	500
Barry B. Bondroff	11,550
John Brown, III	6,350
Robert L. Caret	1,950
Gregory A. Devou	600
John J. Oliver, Jr.	6,500
Patricia L. Schmoke	5,400
Hector Torres	4,100

Michael R. Watson

11,100

**EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS**