UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
SALEM, OREGON

Written Agreement by and among HOME VALLEY BANCORP, INC. Grants Pass, Oregon HOME VALLEY BANK Grants Pass, Oregon FEDERAL RESERVE BANK OF SAN FRANCISCO San Francisco, California and OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES DIVISION OF FINANCE AND CORPORATE SECURITIES Salem, Oregon	Docket Nos. 09-186-WA/RB-HC 09-186-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Home Valley Bancorp, Inc. ("Bancorp"), a registered bank holding company, and its subsidiary bank, Home Valley Bank (the "Bank"), a state chartered bank that is a member of the Federal Reserve System, Bancorp, the Bank, the Federal Reserve Bank of San Francisco (the "Reserve Bank"), and the Director of the State of Oregon's Department of Consumer and Business Services acting through the Administrator of the Division of Finance and Corporate Securities (the "DFCS") have mutually agreed to enter into this Written Agreement (the "Agreement"); and

WHEREAS, on November 17, 2009, Bancorp's and the Bank's boards of directors, at duly constituted meetings, adopted resolutions authorizing and directing Robert J. Ward and Dean G. Saxon, to consent to this Agreement on behalf of Bancorp and the Bank, respectively, and consenting to compliance with each and every applicable provision of this Agreement by Bancorp, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Bancorp, the Bank, the Reserve Bank, and the DFCS agree as follows:

Board Oversight

1. Within 60 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the DFCS a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, credit administration, processes to mitigate risks associated with credit concentrations, earnings, and liquidity;

(b) the responsibility of the board of directors to monitor management's adherence to approved policies and procedures, and applicable laws and regulations; and

(c) a description of the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank,

including information on the Bank's adversely classified assets, allowance for loan and lease losses, capital, earnings, and liquidity.

Concentrations of Credit

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFCS an acceptable written plan to strengthen the Bank's management of commercial real estate ("CRE") concentrations, including steps to reduce the risk of concentrations. The plan shall, at a minimum, include:

(a) Procedures to identify, limit, and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1); and

(b) a schedule for reducing and the means by which the Bank will reduce the level of CRE concentrations.

Lending and Credit Administration

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFCS an acceptable written lending and credit administration program that shall, at a minimum, address, consider, and include:

(a) Underwriting standards that require documented analyses of: (i) the borrower's and any guarantor's repayment sources, global cash flow, and overall debt service ability; and (ii) the value of any collateral;

(b) revisions to the loan policy to ensure that it contains standards and limits for each type of credit extended by the Bank;

(c) the appropriate use of interest reserves;

(d) limitations on the capitalization of interest;

(e) plans to reduce concentrations of credit for loans that are related through common endorsements, guarantees, or signatories; and

(f) implementation of the revised internal loan grading system to ensure that problem credits are identified timely and accurately classified.

Appraisal and Appraisal Review Program

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFCS an acceptable revised written program and practices for real estate appraisals and appraisal reviews that are consistent with the Interagency Statement on Independent Appraisal and Evaluation Functions, dated October 27, 2003 (SR 03-18), and Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (SR 94-55), as well as the requirements of Subpart G of Regulation Y of the Board of Governors (12 C.F.R. Part 225, Subpart G) made applicable to state member banks by Section 208.50 of Regulation H of the Board of Governors of the Federal Reserve System ("Board of Governors") (12 C.F.R. § 208.50). The program and practices shall, at a minimum, provide for:

(a) The review of appraisals by qualified individuals who are independent of the loan production process;

(b) policies and procedures to obtain current appraisals or valuations on problem credits; and

(c) written standards for when reappraisals and reevaluations must be conducted, including, but not limited to, when loans are renewed or when there are material changes in market conditions or the condition of the collateral.

Asset Improvement

5. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated to the Bank in any manner on any extension of credit or portion thereof that has been charged off by the Bank or classified, in whole or in part, "loss" in the report of examination of the Bank conducted by the Reserve Bank and the DFCS that commenced on March 23, 2009 (the "Report of Examination") or in any subsequent report of examination, as long as such credit remains uncollected.

(b) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been classified "doubtful" or "substandard" in the Report of Examination or in any subsequent report of examination, without the prior approval of the Bank's board of directors or the Bank's loan committee. The board of directors or loan committee shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank's interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in full compliance with the Bank's written loan policy, is adequately secured, and a thorough credit analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and the board of directors or loan committee reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors meetings, and a copy of the signed certification, together with the credit analysis and

related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

6. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFCS an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of $750,000, including OREO, that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in the Report of Examination. In developing the plan for each loan, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) Within 30 days of the date that any additional loan or other asset in excess of $750,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the DFCS an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the DFCS to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the

Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report. The board of directors shall review the progress reports before submission to the Reserve Bank and shall document the review in the minutes of the board of directors' meetings.

Allowance for Loan and Lease Losses

7. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the DFCS.

(b) Within 60 days of this Agreement, the Bank shall review and revise its allowance for loan and lease losses ("ALLL") methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFCS an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the DFCS, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Capital Plan

8. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFCS an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements; and

(d) procedures for the Bank to notify the Reserve Bank and the DFCS, in writing, no more than 30 days after the end of any quarter in which any of the Bank's capital ratios (total risk-based, Tier 1, or leverage) fall below the plan's minimum ratios. Together with the notification, the Bank shall submit an acceptable written plan that details the steps the Bank will take to increase the Bank's capital ratios to or above the plan's minimums.

Liquidity Management

9. Within 30 days of this Agreement, the Bank shall submit to the Reserve Bank and the DFCS an acceptable written plan designed to improve management of the Bank's liquidity position. The plan shall, at a minimum, address, consider, and include:

(a) Measures to enhance the monitoring and reporting of the Bank's liquidity position;

(b) measures to diversify funding sources; and

(c) specific liquidity targets.

10. Within 60 days of this Agreement, the Bank shall revise and submit to the Reserve Bank and the DFCS an acceptable written contingency funding plan that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning.

Strategic Plan and Budget

11. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve

Bank and the DFCS a strategic plan to improve the Bank's earnings, and a budget for 2010. The written plan and budget shall include, but not be limited to:

(i) Identification of the major areas where, and means by which, the board of directors will seek to improve the Bank's operating performance;

(ii) financial performance objectives, including plans for asset growth and earnings supported by detailed monthly and annual pro forma financial statements, including projected budgets, balance sheets, and income statements;

(iii) a realistic and comprehensive budget that includes a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components, and provisions needed to establish and maintain an adequate ALLL; and

(iv) A budget review process incorporating the use of pro forma income statements in the analysis of budgeted versus actual income and expenses.

(b) The strategic plan, including a budget, for each calendar year subsequent to 2010 shall be submitted to the Reserve Bank and the DFCS at least one month prior to the beginning of that calendar year.

Dividends

12. (a) Bancorp and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director") and the DFCS.

(b) Bancorp shall not take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank and the DFCS.

(c) Bancorp and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank, the Director, and the DFCS.

(d) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information, as appropriate, on Bancorp's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. Bancorp and the Bank, as appropriate, must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

13. (a) Bancorp shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the DFCS. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the

debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Bancorp shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and DFCS.

Compliance with Laws and Regulations

14. (a) The Bank shall immediately take all necessary steps to correct all violations of law or regulation cited in the Report of Examination. In addition, the Bank shall take necessary steps to ensure future compliance with all applicable laws and regulations.

(b) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Bancorp and the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(c) Bancorp and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Compliance with the Agreement

15. (a) Within 10 days of this Agreement, the boards of directors of Bancorp and the Bank shall appoint a joint committee (the "Compliance Committee") to monitor and coordinate Bancorp's and the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall include a majority of outside directors who are not executive officers or principal shareholders of Bancorp and the Bank, as defined in sections 215.2(e)(1) and 215.2(m)(1) of Regulation O of the Board of Governors (12 C.F.R. §§ 215.2(e)(1) and

215.2(m)(1)). At a minimum, the Compliance Committee shall meet at least monthly, keep detailed minutes of each meeting, and report its findings to the boards of directors of Bancorp and the Bank.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, the Bank shall submit to the Reserve Bank and DFCS written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans and Programs

16. (a) The Bank and, as applicable, Bancorp shall submit written plans and programs that are acceptable to the Reserve Bank and DFCS within the applicable time periods set forth in paragraphs 2, 3, 4, 6(a), 7(c), 8, 9, and 10 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the DFCS, the Bank and, as applicable, Bancorp shall adopt the approved plans and programs. Upon adoption, the Bank and, as applicable, Bancorp shall promptly implement the approved plans and programs, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank and the DFCS.

Communications

17. All communications regarding this Agreement shall be sent to:

(a) Mr. Kevin Zerbe
Vice President
Banking Supervision & Regulation
Federal Reserve Bank of Chicago
101 Market Street, Mail Stop 920
San Francisco, California 94105

(b) Mr. Richard Renken
Banks and Trusts Program Manager
State of Oregon, Department of Consumer and Business Services
Division of Finance and Corporate Securities
350 Winter Street NW, Room 410
Salem, Oregon 97309-0405

(c) Mr. Robert J. Ward
Chairman of the Board
Home Valley Bancorp, Inc.
110 Southwest Fourth Street
Grants Pass, Oregon 97526

(d) Mr. Dean G. Saxon
Chairman of the Board
Home Valley Bank
110 Southwest Fourth Street
Grants Pass, Oregon 97526

Miscellaneous

18. Notwithstanding any provision of this Agreement, the Reserve Bank and the DFCS may, in their sole discretion, grant written extensions of time to Bancorp and the Bank to comply with any provision of this Agreement.

19. The provisions of this Agreement shall be binding upon Bancorp, the Bank, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

20. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the DFCS.

21. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the DFCS, or any other federal or state agency from taking any other action affecting Bancorp, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

22. Pursuant to Section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under Section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 19th day of November, 2009.

HOME VALLEY BANCORP, INC.

By: _____
Robert J. Ward
Chairman of the Board

FEDERAL RESERVE BANK OF SAN FRANCISCO

By: _____
Kevin Zerbe
Vice President

HOME VALLEY BANK

By: _____
Dean G. Saxon
Chairman of the Board

OREGON DEPARTMENT OF CONSUMER AND BUSINESS SERVICES, DIVISION OF FINANCE AND CORPORATE SECURITIES

By: _____
David C. Tatman
Administrator