

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

**IN THE MATTER OF:** )  
 )  
 )  
Silver Falls Bank, )  
an Oregon-chartered financial institution )  
 )  
Silverton, Oregon )  
 )

**DECLARATION OF INSOLVENCY  
AND  
APPOINTMENT OF RECEIVER**

**WHEREAS,** Silver Falls Bank, Silverton, Oregon is a duly organized Oregon financial institution, chartered by the state of Oregon, and as such, is subject to the Oregon Bank Act, ORS chapter 706 through 716; and

**WHEREAS,** pursuant to Oregon statutes, the Director of the Department of Consumer and Business Services (“director”) is the official charged with administering and discharging the Oregon Bank Act, to ensure proper management and operation of Oregon banks to protect depositors; and

**WHEREAS,** ORS chapter 711 provides procedures to be followed by the director when a bank is declared insolvent; and

**WHEREAS,** ORS 711.405 defines insolvency as follows:

“An institution will be deemed insolvent when any of the following occurs:

- (1) The fair market value of the assets of the institution is insufficient to pay its liabilities, other than liability on account of capital debentures. In determining the value of its assets, bonds held by the institution shall be valued in accordance with rules promulgated by the Director of the Department of Consumer and Business Services pursuant to ORS 183.310, 183.315, 183.330, 183.335 and 183.341 to 183.410.
  - (2) An Oregon stock bank fails to make good its reserve requirements under applicable law for a period of 30 days.
  - (3) The institution cannot meet its obligations or the demands upon it as they become due;”
- and

**WHEREAS,** after a thorough investigation of the affairs and condition of Silver Falls Bank, Silverton, Oregon, the director is satisfied that the bank is insolvent within the meaning of ORS 711.405(3) and as such, the situation presents an immediate danger to the public welfare justifying this action;

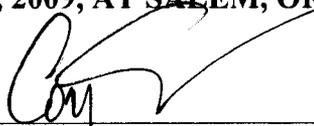
**NOW, THEREFORE, BE IT RESOLVED AND DECLARED** that pursuant to ORS 711.419, the director does hereby take charge of Silver Falls Bank, Silverton, Oregon, and all of its properties and assets.

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**BE IT FURTHER RESOLVED AND DECLARED** that being satisfied that Silver Falls Bank, Silverton, Oregon, cannot resume business or liquidate its indebtedness to the satisfaction of depositors and creditors and knowing further that the deposits of said bank are fully or partially insured by the Federal Deposit Insurance Corporation, the director does hereby appoint the Federal Deposit Insurance Corporation as receiver of Silver Falls Bank, Silverton, Oregon, to act without bond pursuant to ORS 711.465 effective February 20, 2009 at 6:00 p.m., or upon service of this Order, whichever is later, and call upon them to perform the duties of a receiver pursuant to ORS chapter 711.

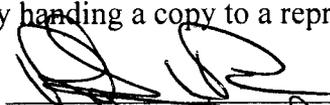
**IT IS SO ORDERED.**

**DONE THIS 20<sup>th</sup> DAY OF FEBRUARY, 2009, AT SALEM, OREGON.**

By:   
Cory Streisinger, Director  
Department of Consumer and Business Services

CERTIFICATE OF PERSONAL SERVICE

I hereby certify that I personally caused a true and correct copy of this Declaration of Insolvency and Appointment of Receiver to be served on Silver Falls Bank this 20<sup>th</sup> day of February, 2009 by handing a copy to an officer or director of the bank, and the Federal Deposit Insurance Corporation, as receiver, by handing a copy to a representative.

Signed by:   
Title: Banks & Trusts Program Manager

CERTIFICATE OF MAILING

I hereby certify that I personally caused a true and correct copy of this Declaration of Insolvency and Appointment of Receiver to be deposited with the United States Post Office, first class postage prepaid, addressed to the following:

Donald W. Bauman, Chairman of the Board, Silver Falls Bank  
Stephen M. Way, President, Silver Falls Bank  
Joseph J. Sano, Regional Counsel, San Francisco, Federal Deposit Insurance Corporation

Signed by:   
Title: Banks & Trusts Program Manager