# **WRITTEN AGREEMENT**

This Agreement is entered into on January 6, 2010, by and between:

PARTY A: NORTH VALLEY BANCORP A registered bank holding company located in Redding, California

PARTY B: FEDERAL RESERVE BANK OF SAN FRANCISCO A federal reserve bank located in San Francisco, California

WHEREAS, the parties seek to maintain the financial soundness of North Valley Bancorp and its subsidiary, North Valley Bank, the parties agree to the following terms:

1. TERM OF AGREEMENT The agreement shall remain in effect until modified, terminated, or suspended in writing by the Federal Reserve Bank.
2. FINANCIAL OBLIGATIONS (a) Credit Concentration Management

* Submit a plan to manage commercial real estate (CRE) credit concentrations
* Reduce credit risk tolerances
* Develop strategies to monitor and mitigate concentrations

(b) Lending and Credit Administration

* Develop a program to enhance lending practices
* Implement monitoring of problem loans
* Establish standards for interest-only loans and non-accrual status

1. ASSET MANAGEMENT (a) Restrictions on Credit Extensions

* Limitations on extending credit to borrowers with charged-off or classified loans
* Require board of directors' approval for certain credit renewals
* Detailed documentation requirements for credit extensions

(b) Asset Improvement Plan

* Submit plans for improving positions on loans over $1,000,000
* Provide quarterly progress reports on asset improvements

1. FINANCIAL REPORTING (a) Loan Loss Reserves

* Maintain a sound process for determining allowance for loan and lease losses (ALLL)
* Conduct quarterly reviews of ALLL methodology
* Submit quarterly reports on ALLL reviews

(b) Capital Planning

* Submit capital maintenance plans for Bancorp and North Valley Bank
* Address current and future capital needs
* Provide notifications of capital ratio changes

1. STRATEGIC PLANNING (a) Business Planning

* Submit a written business plan for 2010
* Provide comprehensive budget projections
* Submit annual business plans for subsequent years

1. FINANCIAL RESTRICTIONS (a) Dividend and Distribution Limitations

* Require prior written approval for:
  + Dividend declarations
  + Capital reductions
  + Distributions on subordinated debentures

(b) Debt and Stock Restrictions

* Require prior approval for:
  + Incurring or guaranteeing new debt
  + Purchasing or redeeming stock

1. COMPLIANCE REQUIREMENTS

* Comply with regulatory requirements for:
  + Appointing directors and senior executives
  + Indemnification and severance payments

1. REPORTING

* Submit quarterly progress reports
* Detailed reporting on compliance with agreement terms

1. COMMUNICATION Primary Contacts:

* For Federal Reserve Bank: Mr. Joe Lozano Examining Officer Federal Reserve Bank of San Francisco 101 Market Street, Mail Stop 920 San Francisco, California 94105
* For North Valley Bancorp: Mr. J. M. Wells, Jr. Chairman of the Board 300 Park Marina Circle Redding, California 96001

1. ADDITIONAL TERMS

* Agreement is binding on parties and their successors
* Provisions remain effective until modified
* Does not prevent future regulatory actions

SIGNATURES

NORTH VALLEY BANCORP

By: /s/ J. M. Wells, Jr. Name: J. M. Wells, Jr. Title: Chairman of the Board Date: January 6, 2010

FEDERAL RESERVE BANK OF SAN FRANCISCO

By: /s/ Kevin Zerbe Name: Kevin Zerbe Title: Vice President Date: January 6, 2010

ACKNOWLEDGMENT By signing above, both parties acknowledge that they have read, understood, and agree to be bound by all terms and conditions of this Written Agreement.