



# PLUMAS BANCORP

## ADMINISTRATION OFFICE

35 S. Lindan Avenue • Quincy, CA 95971 • (530) 283-7305 • Fax (530) 283-3557

March 11, 2009

Special Inspector General - TARP  
1500 Pennsylvania Avenue, NW Suite 1064  
Washington, D.C. 20220

Dear Special Inspector General:

This letter is in response to your letter dated February 6, 2009, which requested information from Plumas Bancorp regarding the United States Treasury's recent investment into our Company. As you now know, following the date of your request, a new law, the *American Recovery and Reinvestment Act of 2009*, ("ARRA") was enacted. This new law provides provisions which amend those under the *Emergency Economic Stabilization Act of 2008* ("EESA"). Although we have not yet received final regulatory guidance under the ARRA, I will attempt to respond to your requests while being mindful of this new legislation.

In response to your first request, we have attached several documents including Document 1; our official press release regarding our Company's anticipated use of the Capital Purchase Program ("CPP) funds received as part of the Troubled Asset Relief Program ("TARP). In addition, attached is Document 2, announcement by the U.S. Treasury of its investment in Plumas Bancorp, and Document 3 our Company's response to a media request for further information about the CPP/TARP investment. I believe that these documents will provide you with the information you have requested regarding our anticipated use of CPP/TARP funds and our expected use of any unspent CPP/TARP funds.

You have also inquired as to whether the CPP/TARP funds were segregated. The CPP/TARP funds that were invested into the Company by the U.S. Treasury were deposited into an account maintained at Plumas Bank, our Company's wholly-owned subsidiary. Furthermore, these CPP/TARP funds are currently segregated and will continue to remain segregated until their eventual deployment according to our plans outlined in the attached documents. In addition, for as long as the U.S. Treasury maintains a preferred stock investment in our Company we plan to separately track this investment through our general ledger accounting system.

The Company continues to develop the initiatives outlined in the attached documents. However, until the CPP/TARP funds can be effectively deployed according to those

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Finally you have inquired about executive compensation and our Company's plans for addressing executive compensation requirements associated with the CPP/TARP investment. Based on our review in January 2009 of the executive compensation plans, all current plans adhere to the requirements outlined under the U.S. Treasury's Letter Agreement dated January 30, 2009 along with the Securities Purchase Agreement – Standard Terms attached thereto issued under EESA (collectively "Purchase Agreement"). Although we have not yet received regulatory guidance for the ARRA, the Company's Corporate Governance Committee, which oversees compensation matters at the Company, has plans to conduct its review of the CPP/TARP investment as outlined under ARRA. Following the upcoming Corporate Governance Committee's review, it is anticipated that the Committee will be able to issue a certification that the incentive compensation arrangements for the Company's senior executive officers do not encourage the senior executive officers to take unnecessary and excessive risks, including lending risks that threaten the value of the Company.

As the Executive Vice President and Chief Financial Officer of Plumas Bancorp, I certify as to the accuracy of the above statements and all attached information. My certification as evidenced by my signature below is made in compliance with the requirements outlined under Title 18, United State Code, Section 1001. Please let me know if you have any questions on the above.

Respectfully,



Andrew J. Ryback  
EVP and CFO

**Treasury Provides Funding to Bolster 42 Healthy, Local Banks Nationwide  
Banks in 45 states now participating in Treasury program**

**Washington, DC** - The U.S. Treasury Department today announced investments of approximately \$1.15 billion in 42 banks across the nation as part of its Capital Purchase Program (CPP), a means to directly infuse capital into healthy, viable banks with the goal of increasing the flow of financing available to small businesses and consumers. With additional capital, banks are better able to meet the lending needs of their customers, and businesses have greater access to the credit that they need to keep operating and growing.

Since its inception in October 2008, Treasury has strengthened healthy small and large, regional, and national, financial institutions, as well as Community Development Financial Institutions (CDFIs), through total CPP investments of \$195.33 billion in 359 institutions in 45 states and Puerto Rico. To date, the largest investment was \$25 billion and the smallest investment was approximately \$1 million.

Under the CPP, Treasury is purchasing up to a total of \$250 billion of senior preferred shares from healthy U.S. financial institutions such as those announced today. Institutions that participate in the CPP must comply with restrictions on executive compensation during the period that Treasury holds equity issued through the CPP and agree to limitations on dividends and stock repurchases. Banks participating in the CPP will pay the Treasury a five percent dividend on senior preferred shares for the first five years following the investment and a rate of nine percent per year thereafter. Banks may repay Treasury under the conditions established in the purchase agreements, and Treasury may sell these shares when market conditions stabilize. Further information about the terms of the program, including weekly transactions, can be found at <http://www.treas.gov/initiatives/eesa/>.

The following is a complete list of banks receiving funding on January 30, 2009:

<b>Arkansas</b>	
Rogers Bancshares, Inc.	\$25,000,000
<b>Arizona</b>	
Goldwater Bank, N.A.	\$2,568,000
<b>California</b>	
Beach Business Bank	\$6,000,000
Central Valley Community Bancorp	\$7,000,000
Ojai Community Bank	\$2,080,000
Peninsula Bank Holding Co.	\$6,000,000
Plumas Bancorp	\$11,949,000
Valley Commerce Bancorp	7,700,000
<b>Colorado</b>	
Bankers' Bank of the West Bancorp, Inc.	\$12,639,000
<b>Florida</b>	
First Southern Bancorp, Inc.	\$10,900,000
<b>Georgia</b>	
Metro City Bank	\$7,700,000
<b>Illinois</b>	
PrivateBancorp, Inc.	\$243,815,000
<b>Indiana</b>	
AMB Financial Corp.	\$3,674,000
<b>Kansas</b>	
Equity Bancshares, Inc.	\$8,750,000
UBT Bancshares, Inc.	\$8,950,000
<b>Maryland</b>	
Monument Bank	\$4,734,000
Annapolis Bancorp, Inc.	\$8,152,000
First United Corporation	\$30,000,000
<b>Maine</b>	
Katahdin Bankshares Corp.	\$10,449,000

<b>Michigan</b>	
Firstbank Corporation	\$33,000,000
Flagstar Bancorp, Inc.	\$266,657,000
<b>Missouri</b>	
Guaranty Federal Bancshares, Inc.	\$17,000,000
<b>North Carolina</b>	
Oak Ridge Financial Services, Inc.	\$7,700,000
<b>Nebraska</b>	
Adbanc, Inc	\$12,720,000
Country Bank Shares, Inc.	\$7,525,000
<b>New Hampshire</b>	
Northway Financial, Inc.	\$10,000,000
<b>New Jersey</b>	
Community Partners Bancorp	\$9,000,000
Hilltop Community Bancorp, Inc.	\$4,000,000
Parke Bancorp, Inc.	\$16,288,000
Stewardship Financial Corporation	\$10,000,000
<b>Ohio</b>	
Peoples Bancorp Inc.	\$39,000,000
<b>Pennsylvania</b>	
DNB Financial Corporation	\$11,750,000
First Resource Bank	\$2,600,000
<b>South Carolina</b>	
Greer Bancshares Incorporated	9,993,000
<b>Tennessee</b>	
F & M Bancshares, Inc.	\$4,609,000
<b>Texas</b>	
Central Bancshares, Inc.	\$5,800,000
<b>Virginia</b>	
Central Virginia Bankshares, Inc.	\$11,385,000
Middleburg Financial Corporation	\$22,000,000
WashingtonFirst Bank	\$6,633,000
<b>Washington</b>	
W.T.B. Financial Corporation	\$110,000,000
<b>Wisconsin</b>	
Anchor BanCorp Wisconsin Inc.	\$110,000,000
Legacy Bancorp, Inc.	\$5,498,000

**Plumas Bancorp Receives \$12 Million in Capital Purchase Program  
and Participates in FDIC Guarantee Program**

**QUINCY, California, January 30, 2009** – Plumas Bancorp (NasdaqCM: PLBC), a bank holding company and the parent company of Plumas Bank, today announced it was selected by the U. S. Treasury Department to participate in the government's Capital Purchase Program ("CPP") under the Emergency Economic Stabilization Act of 2008. As part of this program, the U. S. Treasury has purchased \$11,949,000 in Plumas Bancorp preferred stock. This investment by the U. S. Treasury in Plumas Bancorp is part of the government's program to provide capital support for the nation's healthy financial institutions.

Plumas Bancorp and Plumas Bank also announced that they will participate in the FDIC's Transaction Account Guarantee Program which provides a full guarantee on all non-interest bearing transaction accounts, and NOW accounts paying 0.50% or less for the entire balance of the account, regardless of dollar amount. This unlimited insurance coverage is in addition to and separate from the \$250,000 coverage available under the FDIC's insurance rules for general deposits and will be available to Plumas Bank customers through December 31, 2009.

President and chief executive officer, Douglas N. Biddle, commented, "We are pleased to participate in these government programs that are designed to restore stability and liquidity to the financial markets and provide customers with additional security by investing in healthy financial institutions across the country." He added, "Our company benefits from this investment as it allows us to enhance our existing plans to meet the financial needs of our clients by increasing our lending capacity, support local economic expansion and pursue Plumas Bank's opportunities for continued growth, all of which are in the long-term interest of the Company and its shareholders. In particular, the CPP investment will build upon our already solid Tier 1 capital position at December 31, 2008. In addition, this investment supplements the strong capital position of Plumas Bank, which is considered 'well capitalized,' the highest designation by banking regulators. The government also benefits as it will receive a 5% dividend return on its investment in Plumas Bancorp."

*Founded in 1980, Plumas Bank is a locally owned and managed full-service community bank based in Northeastern California. The Bank operates thirteen branches located in the counties of Plumas, Lassen, Sierra, Placer, Nevada, Modoc and Shasta, and it also operates a commercial real estate lending office in Reno, Nevada. Plumas Bank offers a wide range of financial and investment services to consumers and businesses and has received nationwide Preferred Lender status with the U. S. Small Business Administration. Plumas Bank was named a Premier Bank in 2008 by The Findley Reports. Additionally, in recognition of the Company's long history of stock performance, Plumas Bancorp was named to the Keefe, Bruyette & Woods Honor Roll for banking institutions. For more information on Plumas Bancorp and Plumas Bank, please visit our website at [www.plumasbank.com](http://www.plumasbank.com).*

Source: Elizabeth Kuipers

Vice President, Marketing Manager & Investor Relations Officer  
Plumas Bank  
35 S. Lindan Ave., Quincy, CA 95971  
Ph: 530.283.7305 ext. 8912 Fax: 530.283.9665  
[elizabeth.kuipers@plumasbank.com](mailto:elizabeth.kuipers@plumasbank.com)

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**From:** Biddle, Doug  
**Sent:** Thursday, February 12, 2009 3:16 PM  
**To:** (b) (6)  
**Cc:** (b) (6)  
**Subject:** Plumas Bank's Use of Capital Purchase Program (CPP) funding from the U. S. Treasury Dept

Hi, David:

Thanks for your interest. Here is my response to your inquiry regarding the above.

On January 30, 2009, Plumas Bancorp, with its subsidiary Plumas Bank, received \$11,949,000 in capital investment from the U. S. Treasury Dept. as part of its Capital Purchase Program (CPP). With this investment, the U. S. Treasury has acknowledged Plumas Bancorp as a healthy, viable financial institution that will play an important role in the economic recovery efforts in the communities it serves. In the banking industry, capital is used to support deposit growth which banks then lend out to businesses and individuals. It is also used to provide reserves that support the strength of the company. The CPP funds are not a government giveaway. The U.S. Treasury will receive a 5% dividend return on its investment and an option to purchase shares of Plumas Bancorp common stock. The CPP is a cost effective and prudent means to raise additional capital given the changing financial markets. Plumas Bancorp's existing capital is more than sufficient to navigate through the current economic conditions. With the addition of the CPP funds, Plumas Bank is in an even better position to support the economic recovery program in the manner that Congress intended. The following points describe the details of Plumas Bank plans to contribute to this recovery effort.

1. Expand SBA 7a and 504 loan programs – Plumas Bank is an SBA preferred lender. We have the staffing capability to significantly increase our annual loan production. This program helps small businesses that could not otherwise qualify for the financing that they seek. Many of these loans provide financing for businesses being purchased by a new owner. This program both creates and preserves jobs.
2. Join the SBA Express Loan program – This is different from the above in that a bank can receive a 50% guaranty and underwrite the loan under its own credit standards. This will allow the bank to lend to businesses that would not qualify under the bank's normal underwriting standards but have the near term potential for attaining such.
3. Establish a lot loan assistance program -- A number of borrowers purchased lots in resort communities within our marketplace in hope of some day constructing a vacation or retirement home. Others purchased lots as an investment for the future. With the values of these types of properties declining, funds will be used to support programs to lower payments and retain ownership. This will provide a way to avoid foreclosures and a continued decline in values.
4. Lower interest rates on non-conforming home loans – Plumas Bank operates in rural markets that have many residences that cannot qualify for conventional financing due to excessive land coverage, out buildings or the lack of traditional utilities. Our Bank has been providing these types of loans for a very long time with virtually no delinquency. The Bank will use these funds to expand this program to support the ability of our

customers to sell their homes to qualified borrowers that might not be able to get financing at conventional rates.

5. Continue to make new home equity and credit card loans – Many individuals have come to us because their banks have eliminated the remaining availability on home equity lines of credit and credit cards. Plumas Bank will continue to make equity loans based on current real estate values, and credit card loans to qualified borrowers despite the increased risk during these recessionary times. Plumas Bank has never reduced or frozen home equity or credit card limits for performing loans and does not intend to do so.
6. Provide relief for distressed auto loan borrowers – Some Plumas Bank borrowers are having difficulty with their auto loan payments due to the reduction in their income brought on by the recession. Instead of repossessing the vehicle, the bank is restructuring the loan to reduce the loan payment and increase the customer's disposable income.
7. Purchase a troubled community bank – A number of community banks are having difficulties due to high levels of problem loans. Some of them may be closed by banking regulators because they did not qualify for the U. S. Treasury Capital Purchase Program and cannot raise additional capital. If the failing bank has a good core business, it may make sense to acquire the bank before it fails. When a bank fails, good businesses are not able to access their credit lines, construction loan advances cease and it is very disruptive to the communities that the bank serves. By acquiring such a bank, Plumas Bancorp will provide borrowing customers with access to credit so they can continue to operate their businesses in the usual fashion. It also helps provide the community with quality banking services under stronger management of the acquiring organization.

I hope this provides you with additional insights on our plans for using the CPP funds from the U. S. Treasury Dept. Please feel free to contact me if you have further questions. Thanks again for your interest.

Regards,

Douglas N. Biddle  
President & Chief Executive Officer  
Plumas Bancorp/Plumas Bank  
35 So. Lindan Avenue  
Quincy, CA 95971

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**From:** (b) (6)  
**Sent:** Monday, February 09, 2009 11:46 AM  
**To:** Biddle, Doug  
**Subject:** TARP money

Doug,

3/11/2009



I received your letter about the TARP money. I would very much like to expand on for an article about how Plumas is using the \$11.9 million dollars it received from the Treasury. Could you give me specifics? The more precise you can be, the better.

Thans for your consideration

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