



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

OAK VALLEY BANCORP

Person to be contacted regarding this report:	RICK MCCARTY
UST Sequence Number:	205
CPP Funds Received:	13,500,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Dec 5, 2008
Date Repaid ¹ :	N/A

RSSD: (For Bank Holding Companies)	0003726440
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	33457
City:	OAKDALE
State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The injection of the CPP Investment allowed Oak Valley Bancorp (OVB) to remain steadfast in its desire to lend, with reduced concern of capital constraints. OVB experienced an initial surge of funding, but remained relatively balance sheet neutral through 2009.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The majority of new production came in the form of loans to small businesses, supported by commercial real estate. These loans offset decreases in the construction portfolio, resulting from paydown, permanent financing and write-downs.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Upon receipt of the CPP investment, OVB deployed approximately \$20 million into the investment portfolio. The investments included Municipal Securities, with underlying mortgage collateral, and Government Agency MBSs. The proceeds helped to offset the cost of the CPP dividends.

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	OVB would remain well capitalized without the CPP infusion, but growth would be limited. The additional capital allows the bank to look for and act on growth opportunities in the markets we serve, without stress on capital.

What actions were you able to avoid because of the capital infusion of CPP funds?

Oak Valley Bancorp has remained profitable, healthy and in a position to continue to meet the credit needs of the communities we serve. The addition of the capital, from the CPP, allows the bank to continue to grow and look for opportunities to expand our services to both current and prospective customers, during a difficult economic period hindered by limited availability of capital resources.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

None to date, yet the bank continues to explore acquisition opportunities. The CPP funds provide the capital strength for such a transaction.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.