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**PREMIER VALLEY BANK  
DIVIDEND REINVESTMENT AND  
STOCK PURCHASE PLAN**

**COMMON STOCK**  
(No Par Value)

This document describes the Dividend Reinvestment and Stock Purchase Plan (the "Plan") of Premier Valley Bank ("PVB"), which provides record holders of PVB's common stock with a simple and convenient method of purchasing additional shares of PVB common stock. PVB common stock is traded on the Over the Counter Bulletin Board under the symbol "PVLV." The Plan promotes long-term ownership in PVB by offering participants in the Plan an opportunity to have all or a portion of their cash dividends paid on their shares of PVB common stock reinvested in additional shares of PVB common stock and to purchase additional shares by making optional cash investments. For a discussion of certain material factors that should be considered in connection with an investment in PVB common stock, please see page 2 of this document.

Reinvested dividends and optional cash payments may be used to purchase shares of PVB common stock directly from outstanding shares of PVB common stock that would be purchased in the over-the-counter market or in private transactions by an independent stock purchasing agent to be designated by PVB or by Registrar and Transfer Company, the Bank's stock transfer agent. The price of shares will be the average price of all such outstanding shares purchased for participants in the Plan with respect to reinvested dividends and optional cash payments including brokerage commissions, if any. This offering is not being underwritten; therefore, there are no underwriting discounts or commissions payable by PVB in connection with the Plan.

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION, THE STATE OF CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS NOR ANY STATED SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this document is May 31, 2007

## **CERTAIN INVESTMENT CONSIDERATIONS**

An investment in shares of PVB common stock involves a degree of risk. Prospective participants in the Plan should carefully consider the material factors set forth below, in addition to the other information set forth in this document, in connection with the investment in shares of PVB common stock.

When used in this document, the words “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “project,” “intend” and similar expressions are intended to identify forward-looking statements regarding events, conditions and financial trends that may affect PVB’s future plans of operations, business strategy, results of operations and financial position. Prospective participants in the Plan are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. Risk factors that could affect current and future performance include but are not limited to the following: (i) adverse changes in asset quality and the resulting credit risk-related losses and expenses; (ii) adverse changes in the economy of California including the Greater Fresno area and certain communities in the Sierra Nevada region, PVB's primary market, which could further accentuate credit-related losses and expenses; (iii) adverse changes in the local real estate market that can also negatively affect credit risk, as most of PVB's loans are concentrated in the Central Valley of California and a substantial portion of these loans have real estate as primary and secondary collateral; (iv) the consequences of continued bank acquisitions and mergers in PVB's market, resulting in fewer but much larger and financially stronger competitors which could increase competition for financial services to PVB's detriment; (v) fluctuations in market rates and prices, which can negatively affect PVB's net interest margin, asset valuations and expense expectations; and (vi) changes in the regulatory requirements of federal and state agencies applicable to bank holding companies and banks, such as PVB and its subsidiary, which could have a materially adverse effect on PVB's future operating results.

## **INFORMATION ABOUT PVB**

PVB is a state-chartered commercial bank that commenced business June 1, 2001. Deposits are insured by the Federal Deposit Insurance Corporation (the “FDIC”) to the extent permissible by law.

PVB offers loan, deposit, internet banking, courier service and other financial services and products to businesses, professionals and the general public, primarily in the Greater Fresno and Sierra Nevada areas of California.

PVB engages in the general commercial banking business with an emphasis on serving the needs of small and medium size businesses, professionals and the general public primarily in the Greater Fresno area and in certain communities in the Sierra Nevada region. PVB also assesses and attempts to meet the credit needs of all members of the communities served by the Bank in fulfillment of its responsibilities under the Community Reinvestment Act. PVB provides customers with a high level of personalized service, while at the same time offering a full range of commercial banking services combined with the convenience of banking by appointment (before or after normal business hours on weekdays and on weekends) and automated banking systems, including access to ATM services, voice banking and internet banking, electronic cash management, and loan and deposit sweep services and products.

## **Recent Developments**

PVB is the issuer of the common stock offered by this document. The executive offices of PVB are located at 8355 N. Fresno Street, Suite 180, Fresno, California, 93720, telephone (559) 438-2002.

### **WHERE YOU CAN FIND MORE INFORMATION ABOUT PVB**

PVB files quarterly and annual reports with financial and other information with the Federal Deposit Insurance Corporation. The FDIC maintains an internet site (<http://www.fdic.gov>) that contains electronic copies of PVB's reports filed with the FDIC.

PVB issues an annual proxy to shareholders with audited financial statements. It also issues quarterly financial information. PVB maintains current publicly available financial information at its website at [www.premiervalleybank.com](http://www.premiervalleybank.com).

### **DESCRIPTION OF THE PLAN**

The following is a description of the provisions of the Plan in a question and answer format. The holders of PVB's common stock who do not participate in the Plan will receive cash dividends as declared by PVB in the usual manner.

#### **Purpose**

1. *What is the purpose of the Plan?*

The purpose of the Plan is to provide record holders of PVB common stock with a simple and convenient method of investing cash dividends and optional cash payments in additional shares of PVB common stock. PVB will receive no proceeds to the extent outstanding shares are purchased; however, since the shares are to be purchased on the open market, brokerage commissions may be applied to your purchase.

#### **Advantages**

2. *What are the advantages of the Plan?*

Stockholders may have cash dividends on all or a portion of their shares of PVB common stock automatically reinvested in additional shares of PVB common stock. A stockholder, who is a participant in the Plan, may also invest in additional shares of PVB's common stock by making optional cash payments up to a maximum of \$3,000 per quarter. However, no single payment of less than \$500 is permitted. Brokerage commissions, if any, may reduce the amount of your actual investment. Full investment of funds is possible because the Plan permits not only full shares but fractions of shares and dividends in respect of such fractions to be credited to participants' accounts. Participants can avoid, if they so desire, the cumbersome safekeeping of certificates for shares credited to their accounts under the Plan. Regular quarterly statements of account provide simplified recordkeeping.

## **Administration**

### *3. Who administers the Plan for participants?*

Registrar and Transfer Company is the agent (the "Agent") for the Plan and will administer the Plan for participants, keep records, send quarterly statements of account to participants and perform other duties relating to the Plan. An independent stock purchasing agent will be appointed by PVB or the Agent to make any purchases of PVB common stock which may be made on the over-the-counter market or in private transactions. Shares of PVB common stock purchased under the Plan will be registered in the name of the Agent, as agent for participants in the Plan prior to allocation to participants' accounts. The Agent can be contacted as follows: Registrar and Transfer Company, P.O. Box 664, Cranford, New Jersey 07016, Attention: Dividend Reinvestment Department. By telephone at (800) 368-5947 between the hours of 8 a.m. and 7 p.m., Eastern Time, Monday through Friday, except holidays, and on the internet at [www.rtc.com](http://www.rtc.com)

## **Participation**

### *4. Who is eligible to participate?*

All record holders of shares of PVB common stock, including brokers, trustees or other nominees in whose names certificates are registered, are eligible to participate in the Plan. In order to participate, beneficial owners of shares of PVB common stock whose shares are registered in names other than their own must contact the record holders on their behalf directly in order to make arrangements for participation in the Plan. Your brokerage institution is under no obligation to participate in the Plan on your behalf.

### *5. How does an eligible stockholder participate?*

Stockholders may join the Plan at any time by checking the appropriate box on the Authorization Form, signing it and returning it to the Agent or to your broker for those shares held in a brokerage account. An Authorization Form may be obtained at any time by written request to the Agent at the following address or telephone number: Registrar and Transfer Company, P.O. Box 664, Cranford, New Jersey 07016, Attention: Dividend Reinvestment Department/Premier Valley Bank. You may contact the Plan Administrator by telephone at (800) 368-5948 between the hours of 8 a.m. and 7 p.m., Eastern Time, Monday through Friday, except holidays, to speak with a customer service representative. You may also contact the Plan Administrator on the internet at [www.rtc.com](http://www.rtc.com).

### *6. When will dividends be reinvested and investments made?*

The date on which cash dividends and optional cash payments are invested in outstanding shares will be as soon as reasonably practicable following the date on which the quarterly dividend payment is made (the "Investment Date"), which is expected to be during the second week of January, April, July and October. If no dividend is declared, the optional cash payments will be invested during (or commencing in) the fourth week of the respective quarter.

If the Authorization Form is received by the Agent after the record date set by the PVB Board of Directors for determining stockholders entitled to receive a dividend (expected to be the last day of the month preceding a dividend payment date), reinvestment of dividends will begin with the next dividend period. For example, in the case of an April dividend and March 31 record

date, if the Authorization Form were received by the Agent no later than March 31, the April dividend would be reinvested. However, if the Authorization Form were received by the Agent after March 31, the first dividend reinvested would be the July dividend, if any. No interest will be paid on dividends pending reinvestment or on optional cash payments pending investment. Note, however, that optional cash payments will be accepted only if received by the Agent during a time period commencing thirty (30) days prior to the Investment Date.

7. *What does the Authorization Form provide?*

The Authorization Form appoints the Agent as agent for the participant and directs PVB to pay to the Agent each participant's cash dividends on all or a specified number of the shares of PVB's common stock owned by the participant on the applicable record date, as well as all whole and fractional Plan shares. The Authorization Form directs the Agent to purchase additional shares of PVB's common stock with such dividends and any optional cash payments made by the participant. The Authorization Form directs the Agent to reinvest automatically all subsequent dividends on Plan shares. Dividends will continue to be reinvested on the number of shares designated on the Authorization Form and on all Plan shares until the participant specifies otherwise, terminates participation or until the Plan is terminated.

The Authorization Form provides for the purchase of additional shares of PVB common stock through the following investment options:

(a) *Full Dividend Reinvestment* directs PVB to invest in accordance with the Plan all of a participant's cash dividends on all of the shares then or subsequently owned by the participant;

(b) *Optional Cash Payments* permit a participant to make optional cash payments for the purchase of additional shares of PVB's common stock in accordance with the Plan.

A participant may select either or both of the options. In all cases, cash dividends on all Plan shares will be reinvested in accordance with the Plan, including dividends on Plan shares purchased with optional cash payments.

In addition to the investment options described above, the Plan offers the following features:

(a) *Deposit of Shares and Shares Held by Plan Administrator for Participants.* The Plan Administrator will hold all shares of common stock deposited with the Plan Administrator and all shares purchased through the Plan for participants in the Plan. All dividends on these shares will be reinvested automatically.

The Plan allows you to deposit shares of common stock registered in your name into the Plan. There is a fee of \$5.00 charged per deposit, payable on deposit. More than one certificate can be deposited at one time for the same cost.

(b) *Sale of Shares Held in the Plan.* You can sell some or all of the shares held by the Plan Administrator for your benefit. There is a \$15.00 fee charged for each sale. You will be responsible for paying all brokerage commissions, if any. If all of the shares held in the Plan for you are sold, then your participation in the Plan will terminate automatically. A Medallion Signature Guarantee is required for sale requests of \$10,000 or higher.

Because the Plan Administrator will sell the shares on behalf of the Plan, neither PVB nor any participant in the Plan has the authority or power to control the timing or pricing of shares sold or the selection of the broker making the sales. Therefore, you will not be able to precisely time your sales through the Plan, and will bear the market risk associated with fluctuation in the price of PVB common stock. That is, if you send in a request to sell shares, it is possible that the market price of PVB common stock could go down or up before the broker sells your shares. In addition, you will not earn interest on a sales transaction.

The Authorization Form is designed to be used by an eligible shareholder whose shares are registered in his or her name for the reinvestment of dividends and for optional cash payments. Authorization Forms will be furnished at any time upon request to the Agent at the following address or telephone number: Registrar and Transfer Company, P.O. Box 664, Cranford, New Jersey 07016, Attention: Dividend Reinvestment Department/Premier Valley Bank. You may contact the Plan Administrator by telephone at (800) 368-5948 between the hours of 8 a.m. and 7 p.m., Eastern Time, Monday through Friday, except holidays, to speak with a customer service representative. You may also contact the Plan Administrator on the internet at [www.rtc.com](http://www.rtc.com).

A participant's investment option may be changed at any time by completing, signing and returning a new Authorization Form. The change will be effective only if the new Authorization Form is received by the Agent on or before the record date for that dividend.

8. *What is the source of shares purchased under the Plan?*

PVB, through the Agent, may instruct the independent stock purchasing agent to purchase outstanding shares, which may be purchased on the over-the-counter market or through privately negotiated transactions. Alternatively, in the discretion of PVB, and subsequent to the receipt of applicable regulatory approval, newly-issued shares representing authorized but unissued (or treasury) shares of common stock of PVB may be purchased directly from PVB. PVB's decision whether to use newly-issued shares or outstanding shares for reinvested dividends and optional cash payments will take into account PVB's need for equity capital, general market conditions and other factors.

9. *Are there any expenses to participants in connection with purchases under the Plan?*

Yes. There will be nominal administrative fees payable by participants whose shares are registered in their personal name, whether shares are purchased by the independent stock purchasing agent directly from PVB, on the over-the-counter market or through privately negotiated transactions. Additionally, brokerage commissions may be applied to purchases made by the stock purchasing agent.

10. *How many shares of PVB common stock will be purchased for participants?*

The number of shares of PVB common stock to be purchased for each participant depends on (i) the amount of the participant's dividends being reinvested and the amount of optional cash being invested, after withholding of taxes, if any, and (ii) the applicable purchase price of the PVB common stock, which depends in part on whether the independent stock purchasing agent purchases newly-issued or outstanding shares, and the amount of commissions on purchases, if any. Each participant's account will be credited with a number of shares of PVB

common stock, including fractional shares computed to four decimal places, equal to the total amount invested divided by the applicable purchase price.

11. *What will be the price of shares of PVB common stock purchased under the plan?*

If outstanding shares are purchased with reinvested dividends and optional cash payments with respect to any dividend payment date, participants' funds will be aggregated by the independent stock purchasing agent. Accordingly, the price of outstanding shares purchased by the independent stock purchasing agent with reinvested dividends or with optional cash payments will be the average price of all shares purchased for Plan participants with respect to that dividend payment date. Outstanding shares will be purchased by the independent stock purchasing agent as soon as reasonably practicable after the Investment Date, but no later than 30 days after the payment date of the distribution, except to the extent necessary to comply with applicable provisions of federal securities laws. If the Plan Agent is unable to reinvest all distributions within 30 days, distributions that were not reinvested will be distributed to recordholders in the form of cash. Plan participants should recognize that, to the extent outstanding shares are to be purchased, laws, regulations or other restrictions may require the temporary curtailment or suspension of such purchases. Neither PVB, the Agent, nor the independent stock purchasing agent shall be responsible for or have any liability on account of, any inability to purchase outstanding shares at or within any particular time. In light of the foregoing pricing provisions, each participant should recognize that the actual market value of shares of PVB common stock on the date credited to their accounts under the Plan may be less or greater than the participant's purchase price.

The price of newly-issued shares purchased with reinvested dividends or with optional cash payments on any dividend payment date will be 100% of the average of the daily high and low prices of PVB common stock for the ten trading days immediately preceding the dividend payment date as reported in The Wall Street Journal or other reputable source selected by PVB for stocks traded on the Over the Counter Bulletin Board or other market in which the shares may be traded. However, PVB has no obligation to issue new shares for this purpose. Issuance of new shares requires a permit from the California Department of Financial Institutions and, as of the date of this document, PVB has not sought or received such a permit, nor does the Bank have current plans to seek such approval.

The value of the shares of PVB common stock included in a participant's account under the Plan will fluctuate based on changes in the market value of PVB common stock and may be less than the participant's aggregate purchase price. NEITHER PVB NOR THE AGENT SHALL HAVE ANY RESPONSIBILITY AS TO THE VALUE OF PVB COMMON STOCK ACQUIRED FOR THE PARTICIPANT'S ACCOUNT.

### **Reports to Participants**

12. *What kind of reports will be sent to participants in the Plan?*

Each participant in the Plan will receive quarterly statements of the participant's account. These statements are a participant's continuing record of the cost of the participant's purchases and should be retained for income tax purposes.

13. *How does the optional cash payment feature of the Plan operate?*

A participant, by means of an Authorization Form, may make optional cash payments. In any quarter, optional cash payments may not exceed \$3,000 and must be at least \$500 per payment. Optional cash payments must be received by the Agent during a time period commencing thirty (30) days before a dividend payment date and ending five (5) business days prior to the applicable dividend payment date.

The price at which shares of PVB's common stock are purchased with optional cash payments is discussed above.

No interest will be paid by PVB or the Agent on optional cash payments held pending investment. Checks returned to the Agent by the issuing bank for any reason will not be resubmitted for collection.

Optional cash payments may be made by sending a personal check, drawn from a U.S. bank in U.S. currency, payable to Registrar and Transfer Company.

**Certificates for Shares**

14. *Will certificates be issued for shares of PVB common stock purchased?*

Normally, certificates for shares of PVB common stock purchased under the Plan will not be issued to participants. The number of shares credited to an account under the Plan will be shown on the participant's quarterly statement of account (in "book entry" form). This convenience protects against loss, theft or destruction of stock certificates.

Certificates for any number of whole shares credited to an account under the Plan will be issued upon written request. Such shares would thereupon be withdrawn from the participant's Plan account. This request should be mailed to the Agent: Registrar and Transfer Company, P.O. Box 664, Cranford, New Jersey 07016, Attention: Dividend Reinvestment Department/Premier Valley Bank. You may contact the Plan Administrator by telephone at (800) 368-5948 between the hours of 8 a.m. and 7 p.m., Eastern Time, Monday through Friday, except holidays, to speak with a customer service representative. You may also contact the Plan Administrator on the internet at [www.rtc.com](http://www.rtc.com). Any remaining full and fractional shares will continue to be credited to the participant's account.

15. *May shares in a Plan account be pledged?*

Shares credited to the account of a participant under the Plan may not be pledged. A participant who wishes to pledge such shares must request that certificates for such shares be issued in the participant's name.

16. *In whose name will certificates be registered when issued?*

Accounts under the Plan are maintained in the names in which certificates of the participants were registered at the time they entered the Plan. Consequently, certificates for whole shares will be similarly registered when issued.

## **Withdrawal from the Plan**

*17. How does a participant withdraw from the Plan?*

In order to withdraw from the Plan, a participant must notify PVB in writing that the participant wishes to withdraw. Written notice should be addressed to the Agent: Registrar and Transfer Company, P.O. Box 664, Cranford, New Jersey 07016, Attention: Dividend Reinvestment Department/Premier Valley Bank. You may contact the Plan Administrator by telephone at (800) 368-5948 between the hours of 8 a.m. and 7 p.m., Eastern Time, Monday through Friday, except holidays, to speak with a customer service representative. You may also contact the Plan Administrator on the internet at [www.rtco.com](http://www.rtco.com). When a participant withdraws from the Plan or upon termination of the Plan by PVB, certificates for whole shares credited to the participant's account under the Plan will be issued and cash payment will be made for any fraction of a share. The cash payment for any fractional share will be based upon the current fair market value of PVB common stock.

*18. When may a participant withdraw from the Plan?*

A participant may withdraw from the Plan at any time, but the withdrawal will not be effective for any dividend the record date of which occurs on or before the date on which the Agent receives the withdrawal request.

*19. What happens when a participant withdraws from the Plan?*

If the request to withdraw is received prior to the record date set by the PVB Board of Directors for determining stockholders entitled to receive a dividend, such request will be processed effective on the day following receipt of the request by the Agent.

If the request to withdraw is received by the Agent on or after the record date for a dividend and before the dividend payment date for that dividend, such dividend will be reinvested for the participant's account. The request for withdrawal will then be processed as promptly as possible following such dividend payment date. All subsequent dividends will be paid in cash to the former participant unless the participant re-enrolls in the Plan, which the participant may do at any time.

## **Sales of Stock, Stock Splits and Dividends and Voting**

*20. What happens when a participant sells or transfers all of the shares registered in the participant's name?*

If a participant sells or transfers all shares of PVB common stock registered in the participant's name, PVB will continue to reinvest the dividends on the shares credited to the participant's account under the Plan until notified in writing by such participant that the participant wishes to withdraw from the Plan.

*21. What happens if PVB issues a stock dividend or declares a stock split?*

Any stock dividends or split shares distributed by PVB on shares credited to the account of a participant under the Plan will be added to the participant's account. Stock dividends or split shares distributed on shares held outside the Plan will be mailed to the participant in the same manner as to stockholders who are not participating in the Plan.

22. *How will a participant's shares be voted at meetings of stockholders?*

Participants will receive a proxy card indicating total shares held directly and under the Plan. If a proxy card is returned properly signed and marked for voting, all shares covered by the proxy will be voted as marked. If a proxy card is returned properly signed but without indicating instructions as to the manner shares are to be voted with respect to any item thereon, all of the participant's shares will be voted in accordance with the recommendations of the PVB Board of Directors. If the proxy card is not returned, or if it is returned unexecuted or improperly executed, none of the shares in respect of which such proxy card was furnished will be voted.

**Federal Income Tax Matters**

23. *What are the federal income tax consequences of participation in the Plan?*

*Reinvestment of Dividends*

In general, a participant in the Plan will be treated for United States federal income tax purposes as having received, on the dividend payment date, a dividend in an amount equal to the fair market value of the shares of PVB common stock purchased with reinvested dividends. The tax basis of shares purchased with reinvested dividends also will equal the fair market value of such shares. A participant's holding period for shares acquired pursuant to the Plan will begin on the day following the purchase of such shares.

*Optional Cash Payments*

Participants in the Plan who elect to invest in additional shares by making optional cash payments will be treated for federal income tax purposes as having received a dividend equal to the excess, if any, of (1) the fair market value of the shares purchased, over (2) the optional cash payment made. The participant's tax basis in the shares purchased under the Plan will be equal to the fair market value of such shares and the participant's holding period for such shares will begin on the day following the Investment Date.

*Additional Information Applicable to Reinvestment of Dividends and Optional Cash Payments*

PVB believes that the method described in the Plan for determining the purchase price is a reasonable approach to use in valuing for federal income tax purposes the shares purchased and, therefore, that participation in the Plan will not result in additional dividend income beyond the cash dividends that would have been paid in lieu of any reinvested cash dividends, except in the case of open-market purchases as described in the following paragraph. If the "fair market value" of PVB's common stock for federal income tax purposes is determined by the Internal Revenue Service to be different from the fair market value of PVB's common stock as determined under the Plan, however, then a participant may be treated as receiving dividend income (and having a tax basis in the purchased shares) in an amount which is greater than or less than the cash dividends that would have been paid in lieu of any reinvested cash dividends. However, in no event will a participant's tax basis in purchased shares be less than the amount of any optional cash payments made.

Based upon a public ruling issued by the Internal Revenue Service, a participant's dividend income will also include any brokerage commissions which are not paid by participants but which are incurred by PVB in connection with open market stock purchases on behalf of

participants, if any. A participant's basis in the shares so purchased will be increased by the amount of any brokerage commissions included in the dividend income of a participant.

Corporate shareholders should consult their tax advisers concerning the dividends-received deduction and specific limitations where the corporate shareholder incurs any debt which is directly attributable to an investment in such stock.

The receipt of certificates for whole shares credited to a participant's Plan account, either upon the participant's request for certain of those shares or upon withdrawal from or termination of the Plan, will not be taxable to the participant. However, a participant who receives, upon withdrawal from or termination of the Plan, a cash payment for a fractional share credited to the participant's account will realize a gain or loss for income tax purposes on the "deemed sale" of such fractional share. A participant will also realize a gain or loss upon the sale or exchange of shares after withdrawal from the Plan. Such gain or loss will be equal to the difference between the amount which the participant receives for each whole or fractional share and the participant's tax basis for such whole or fractional share. Any such gain or loss will be a capital gain or loss if the shares sold were held as a capital asset. Such capital gain or loss will be long term if the participant held the shares sold for more than one year, and otherwise will be short term.

On behalf of PVB, the Agent will report to participants, and to the Internal Revenue Service if required, the amount of dividend income to participants on a calendar year basis. If a participant is subject to federal income tax withholding on his or her dividend income, such as an individual subject to "backup" income tax withholding or a foreign shareholder, the amount of tax to be withheld will be deducted from such dividends before reinvestment in, or optional cash payments for, additional shares for such participant's Plan account will be made.

The Agent will provide each participant with a statement after the close of each calendar year. The statement will include information for the applicable year as to the total dividends invested in Plan shares and the amount of any brokerage commissions paid on behalf of the participant. The Agent will also send each participant a statement after the close of each calendar year which will show total dividends paid on shares held of record. Statements will not be sent directly to beneficial owners participating in the Plan through a broker, trustee or other nominee. Beneficial owners must make their own arrangements with their broker, trustee or other nominee to receive the statements. Also, for beneficial owners, their broker, trustee or other nominee has the legal responsibility for the tax information reporting to the participants and to the Internal Revenue Service, as well as any applicable tax withholding. A participant should retain the statements for tax reporting purposes.

The foregoing discussion is merely a summary of the United States federal income tax consequences of participating in the Plan. Each person who contemplates becoming a participant in the Plan should consult his or her own tax advisor regarding the tax consequences of participation in the Plan in light of his or her own tax situation and regarding any state, local and foreign tax implications.

*24. How are income tax withholding provisions applied to stockholders?*

In the case of stockholders whose dividends are subject to United States income tax withholding, the amount of the tax to be withheld will be deducted from the amount of dividends to determine the amount of dividends to reinvest. Amounts withheld will be shown on the quarterly statements and on annual Internal Revenue Service reporting forms.

## Other Information

25. *May the Plan be changed or discontinued?*

While PVB hopes to continue the Plan indefinitely, PVB reserves the right to suspend or terminate the Plan at any time, including the period between a dividend record date and the related Investment Date. It also reserves the right at any time to make modifications to the Plan including the elimination of the optional cash investment feature. Participants will be notified of any such amendment, suspension or termination.

26. *What are the responsibilities of PVB and the Agent under the Plan?*

In administering the Plan, neither PVB nor the Agent will be liable for any act done in good faith or for any good faith omission to act, including, without limitation, any claim of liability arising out of the failure to terminate a participant's Plan account upon such participant's death, the prices of shares purchased for the participant's Plan account, the times when purchases are made, fluctuations in the market value of PVB's common stock or the termination of a participant's account.

The participant should recognize that neither PVB nor the Agent can provide any assurance of a profit or protection against loss on any shares purchased under the Plan.

27. *May a participant's participation be terminated?*

PVB reserves the right to terminate any participant's participation, in whole or in part, in the Plan at any time for any reason, including, without limitation, arbitrage-related activities, trading or transactional profit activities.

28. *How is the Plan to be interpreted?*

Any questions of interpretation arising under the Plan will be determined by PVB and any such determination will be final. PVB reserves the right to interpret the Plan as it deems necessary or desirable in connection with its operation.

29. *Where should correspondence and payments be directed?*

All correspondence and payments should be directed to:

Registrar and Transfer Company  
P.O. Box 664  
Cranford, New Jersey 07016  
Attention: Dividend Reinvestment Department/Premier Valley Bank.  
Telephone: (800) 368-5948  
Internet: [www.rtco.com](http://www.rtco.com)

30. *Who bears the risk of market fluctuations in PVB's common stock?*

A participant's investment in shares held in his or her Plan account is no different than his or her investment in directly held shares in this regard. A participant bears the risk of loss and the benefits of gain from the marketplace changes with respect to all of a participant's shares. Neither PVB nor the Agent can give any assurance that shares purchased under the Plan will, at any particular time, be worth more or less than their purchase price.

## **DESCRIPTION OF CAPITAL STOCK**

### **Shares and Preferred Stock**

PVB's authorized Capital Stock consists of 30,000,000 shares of common stock and 10,000,000 shares of preferred stock. The Board of Directors has authority to fix the number of shares of any series of preferred stock, to determine the designation of the series, to determine the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of preferred stock, and, within the limits and restrictions stated in any resolution of the Board originally fixing the number of shares constituting any series, to increase or decrease the number of shares of any series following the issuance of shares of that series. PVB has no present intention to issue any preferred stock but may do so in its discretion.

As of the date of this document, there are 11,979,013 shares of common stock issued and outstanding, including restricted shares.

### **Voting Rights**

Holders of Shares are entitled to one vote per share on all matters to be voted on by shareholders, except that shareholders may cumulate votes for the election of directors; provided, however, that with respect to the election of directors, no shareholder will be entitled to cumulate votes (i.e., give to a candidate or candidates a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are entitled) unless the candidate or candidates' names have been placed in nomination before voting commences and the shareholder has given notice to the Chairman of the meeting before the vote on the election of directors of the shareholder's intention to cumulate his or her votes. If any shareholder has given notice of intent to cumulate votes, all shareholders may cumulate their votes for nominated candidates.

PVB's Articles of Incorporation prohibit its shareholders from taking action by written consent without a meeting and require that any shareholder action be taken at a shareholder meeting. Action by written consent may, in some circumstances, permit the shareholders to take action opposed by the Board of Directors more rapidly than would be possible if a meeting were required. The provision prohibiting shareholder action without a meeting may deter mergers, tender offers or other takeover attempts which some or a majority of holders of PVB's voting stock may deem to be in their best interests.

### **Dividends and Dividend Policy**

The Board of Directors of PVB may, to the extent of PVB's earnings and net capital requirements, and in compliance with the requirements of the California Financial Code, declare and pay a portion of the earnings to shareholders as dividends.

### **Preemptive Rights**

The shares of common stock have no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to the shares.

## **Liquidation Rights**

In the event of a voluntary or involuntary liquidation, dissolution or winding up of PVB, after distribution in full of the preferential amounts to be distributed to the holders of all classes and series of stock entitled thereto and the holders of capital notes, if any, as provided for in the California Financial Code, the holders of the common stock shall be entitled to receive the remaining assets of PVB, if any.

## **Required Vote for Amending Articles and Bylaws and Approving Reorganizations**

PVB's Articles of Incorporation can be amended upon approval of the Board of Directors, a majority of the outstanding shares and the Commissioner of the State of California Department of Financial Institutions (the "Commissioner"). PVB's Bylaws can be amended by a majority of the outstanding shares or by the vote of a majority of the Board of Directors. Any liquidation, merger or reorganization of PVB requires the approval of a majority of the shares.

## **Acquisition of Control**

Individuals, acting alone or in concert with others, who seek to acquire more than 10% of the voting securities of PVB must comply with the federal Change in Bank Control Act. Individuals, acting alone or in concert with others, who seek to acquire 10% or more of the voting securities of PVB must comply with the Acquisition of Control provisions of Sections 700-711 of the California Financial Code. Pursuant to the California Financial Code, it is unlawful for a person to offer to buy or to buy Shares without the prior approval of the Commissioner, if the purchase of the Shares would give the purchaser control of PVB. The California Financial Code defines control as the direct or indirect power (a) to vote 25% or more of the Shares or (b) to direct or cause the direction of the management and policies of PVB, whether through ownership of voting securities, by contract or otherwise. Under California law, persons who directly or indirectly own or control 10% or more of PVB's outstanding Shares will be presumed to control PVB, and no individual will be deemed to control PVB solely on account of being a Director, officer or employee of PVB. In addition, entities that seek to acquire 5% or more of any class of voting securities of, or otherwise to control, PVB must comply with the Bank Holding Company Act of 1956. Prospective investors should be aware of and comply with the requirements of these laws, if applicable, in connection with any purchase of the Shares offered by this Offering Circular.

## **Trading of the Shares**

The common stock is not listed or traded on any exchange or on Nasdaq, and there is no active trading market for the shares.

PVB is aware of the following securities dealers which make a market in the shares of common stock: Howe Barnes Hoefler & Arnett, San Francisco, California; RBC Dain Rauscher, LLC, Fresno, California; Wedbush Morgan Securities, Inc., Portland, Oregon; and Stone & Youngberg, Big Bear, California (the "Securities Dealers"). The Securities Dealers have no obligation to continue to make such a market and may discontinue making a market at any time.