



March 5, 2009

VIA E-MAIL (SIGTARP.response@do.treas.gov) AND U.S. MAIL

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

Attention: Mr. Neil M. Barofsky – Special Inspector General

Re: Your information request of February 6, 2009

Dear Mr. Barofsky,

This letter is in response to your letter dated February 6, 2009.

1. Valley Community Bank (the “Bank”) anticipates using the additional capital the Bank received under the TARP Capital Purchase Program to enable the Bank to continue making loans to businesses and individuals in the communities we serve. Prior to the receipt of the additional capital from Treasury, we made \$4.8 million in new loans in December 2008 and \$2.6 million in new loans in January 2009. In addition, the Bank renewed \$8.9 million in loans in December 2008 and \$4.9 million in loans in January 2009.

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(b) (4) During 2008 the Bank experienced its largest growth in loans in its ten-year history.

Under the TARP Capital Purchase Program the Bank issued shares of Noncumulative Perpetual Preferred Stock, Series A and Noncumulative Perpetual Preferred Stock, Series B to the Treasury Department. The funds received from the Treasury Department in consideration of the issuance of the shares of Preferred Stock are carried on the Bank’s balance sheet in Shareholders’ Equity under the caption Preferred Shares – Series A and Preferred Shares – Series B.

I do not believe that the Bank has taken any specific actions that it would not have taken had the Bank not received the TARP capital. The TARP capital is being used to enable us to continue following our existing business plan.

2. The Bank is in the process of taking the steps necessary to comply with the Treasury Department executive compensation guidelines as currently in effect.

The Compensation Committee of the Board of Directors of the Bank held a preliminary meeting on January 20, 2009, to review the Senior Executive Officer ("SEO") compensation plans. The Compensation Committee next plans to meet with Michael Cook, Vice-President and Controller, who is designated as the Bank's Risk Officer, for the purpose of conducting the review of SEO compensation as required under Treasury guidelines. Mr. Cook will continue to work with the Compensation Committee on all future reviews of SEO compensation required by the TARP program and Treasury guidelines.

We note that the Treasury Department executive compensation guidelines as currently in effect require the following:

- The Compensation Committee of the Board of Directors must identify the features in the Bank's SEO compensation arrangements that could lead SEOs to take unnecessary and excessive risks that could threaten the value of the Bank.
- The Compensation Committee must review the SEO incentive compensation arrangements with the Bank's senior risk officer, or other personnel acting in a similar capacity, to ensure that SEOs are not encouraged to take such risks.
- The review with the Bank's senior risk officer, or other personnel acting in a similar capacity, must be made within 90 days after the purchase under the TARP Capital Purchase Program.
- Any features of the SEOs' incentive arrangements that would lead the SEOs to take unnecessary and excessive risks should be limited.
- The Compensation Committee must meet at least annually with the senior risk officer to review the relationship between the Bank's risk management policies and the SEO incentive arrangements.
- The Compensation Committee must certify that it has completed the reviews discussed above, in a filing with the Federal Deposit Insurance Corporation, the Bank's primary federal regulatory agency.

The issuances by the Bank under the TARP Capital Purchase Program were implemented on January 9, 2009. The Bank intends to complete the above-mentioned review within the required 90-day period and to certify the completion of the review to the Federal Deposit Insurance Corporation.

In addition to the initial executive compensation guidelines posted by the Treasury Department in October, 2008, the Treasury Department posted additional guidelines in January, 2009, which require that certain certifications be provided by the principal executive officer to the Chief Compliance Officer of the TARP, as follows:

- Within 120 days after the Treasury's purchase under the TARP Capital Purchase Program, a certification that within 90 days of the Treasury's purchase the Compensation Committee reviewed the SEO incentive compensation arrangements with the Bank's senior risk officer to ensure that SEOs are not encouraged to take unnecessary and excessive risks that could threaten the value of the Bank.

- Within 135 days of the completion of each fiscal year during any part of which the Bank has participated in the TARP Capital Purchase Program, a certification that the Bank is in compliance with each of the following requirements:
 - the Compensation Committee has met at least once during the most recently ended fiscal year with the Bank's senior risk officers to discuss and review the relationship between the risk management policies and practices of the Bank and the incentive compensation arrangements of its SEOs to ensure that SEOs are not encouraged to take unnecessary and excessive risks that could threaten the value of the Bank;
 - the Compensation Committee has certified to its review of the SEO incentive compensation arrangements as discussed above;
 - the Bank has required that SEO bonus and incentive compensation be subject to recovery or "clawback" if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;
 - the Bank has prohibited any golden parachute payments to any SEO payable in connection with an applicable severance from employment, as defined for purposes of Section 111(b) of EESA;
 - the Bank has instituted controls and procedures to limit the deduction for remuneration for federal income tax purposes to \$500,000 for each SEO for the prior fiscal year;
 - that the Bank has in fact limited such deduction for remuneration; and
 - the names of the SEOs for the current fiscal year based on such individuals' compensation during the prior fiscal year.

Some of elements described above with respect to the principal officer certification have been superseded by provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"), e.g., the provision regarding golden parachute payments. Subject to future guidelines posted by the Treasury Department implementing provisions of ARRA and eliminating any conflicts with previous Treasury Department guidelines, it is the intention of the Bank to comply with the Treasury Department executive compensation guidelines. In that regard, the initial certification by the principal executive officer of the Bank is due within 120 days after January 9, 2009, the date of the Treasury's purchase under the TARP Capital Purchase Program.

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Accordingly,

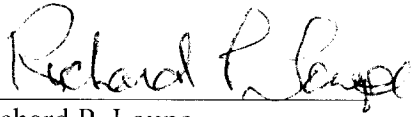
we do not believe that there is an issue with respect to any limitations on executive compensation being offset by changes to such forms of compensation.

We have attached our Board loan volume reports from December and January. We have also attached a press release issued on Business Wire in January, which specifically outlines our plans for using the TARP capital.

The undersigned has reviewed this response, and, based on my knowledge, this response does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Please feel free to contact me if you have any questions.

Sincerely,

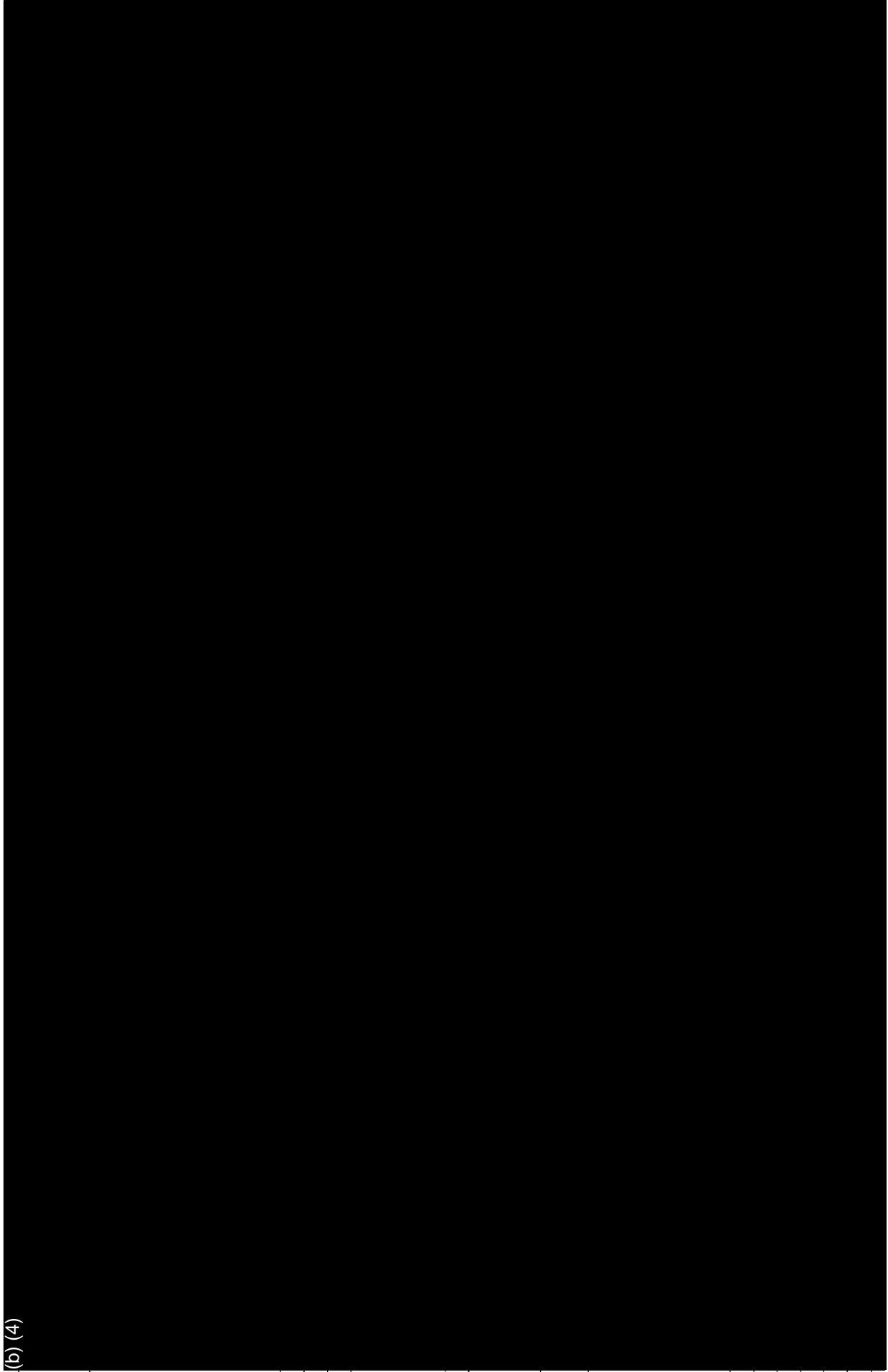
A handwritten signature in black ink that reads "Richard P. Loupe". The signature is written in a cursive style with a horizontal line underneath the name.

Richard P. Loupe.
President and Chief Executive Officer

VALLEY COMMUNITY BANK
Loan Portfolio Summary
January 31, 2009

LOAN PORTFOLIO SUMMARY

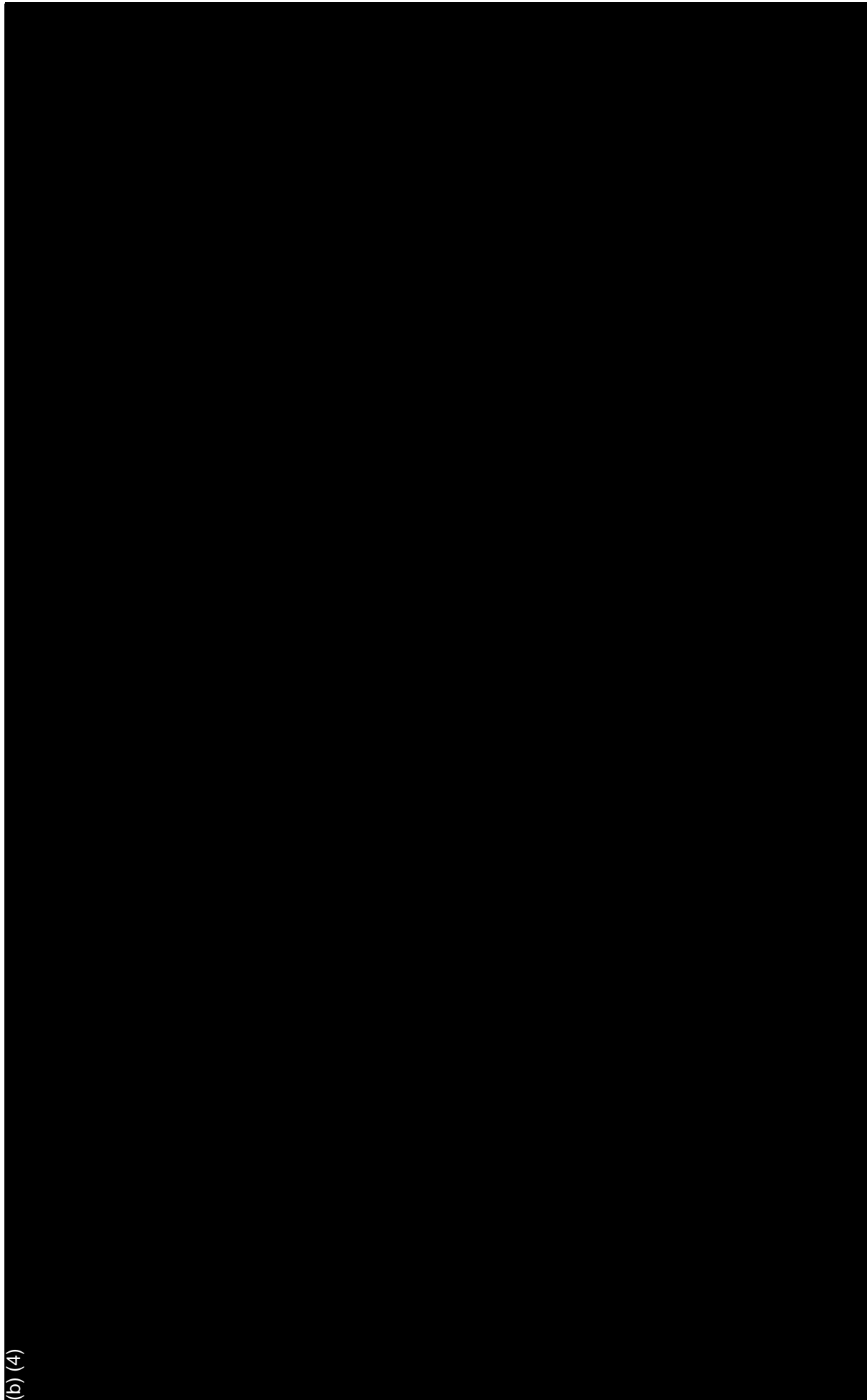
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VALLEY COMMUNITY BANK
Loan Portfolio Summary
December 31, 2008

LOAN PORTFOLIO SUMMARY

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VALLEY COMMUNITY BANK

News Release

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Executive Vice President & CFO

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For Immediate Release

January 9, 2009

Valley Community Bank Announces Receipt of TARP Funds

Pleasanton, Calif. – Valley Community Bank (VCBC.OB), announced today that it has received \$5.5 million as an approved participant in the U.S. Treasury Department's TARP Capital Purchase Program. The Bank issued 5,500 shares of Series A preferred stock and a related warrant for 275 shares of Series B preferred stock, which represents 5% of the Series A preferred stock amount or \$275,000, to the U.S. Treasury.

The TARP Capital Purchase Program, created by the U.S. Treasury, is a voluntary program in which selected, healthy financial institutions were encouraged to participate. Such participation is intended to support the economic development of the community and thereby restore the health of the local and national economy.

Richard P. Loupe, President and Chief Executive Officer of Valley Community Bank, said, “We are pleased that the Treasury has chosen to invest in our bank. The additional capital will enhance our ability to continue lending to our local communities.”

Before receiving the TARP funds, Valley Community Bank was well capitalized as measured by all regulatory guidelines. On September 30, 2008, the Company's Tier 1 Leverage Capital Ratio was 9.67%, and its Total Risk-Based Capital Ratio was 11.04%. Based on the September 30, 2008 financial statements, the addition of new capital through the Treasury's Capital Purchase Program will increase the Bank's Tier 1 Leverage Capital Ratio to approximately 12.57% and Total Risk-Based Capital Ratio to approximately 14.02%.

The Series A preferred stock issued by the Bank will pay a 5% dividend for the first 5 years, after which the rate will increase to 9% if the Bank does not redeem the preferred shares. The Series B preferred stock issued by the Bank will pay a 9% dividend. These preferred shares do not carry voting rights, except in certain limited circumstances. The Bank issued the preferred shares and warrants only to the U. S. Treasury, not to any other third parties. Terms and conditions of the transaction and the preferred stock will conform to those provided by the U.S. Treasury. A summary of the Capital Purchase Program can be found at the Treasury's web site: www.ustreas.gov/initiatives/eesa.

Valley Community Bank, which is locally owned and operated, celebrated its tenth anniversary in 2008. The bank opened for business on August 10, 1998 in the historic Johnston Building at 465 Main Street in Pleasanton. A second location opened in 2000 at 1986 Second Street in Livermore, a third in 2003 at 2355 San Ramon Valley Boulevard, Suite 101 in San Ramon, a fourth in 2005 at 1150 So. Bascom Avenue, Suite 29 in San Jose and at 540 Front Street, Suite 310, Santa Cruz. The Bank's directors, all with strong local interests and contacts, are committed to community banking with expert local staffing and personalized service.

In addition to its signature face-to-face service, the bank offers walk-up ATM service, online banking, e Deposit and courier service to customers throughout the East Bay, San Jose and Santa Cruz. The bank may be reached at (925) 484-5400 in Pleasanton, at (925) 243-9600 in Livermore, at (925) 855-3800 in San Ramon, at (408) 275-7150 in San Jose, and at (831) 421-0236 in Santa Cruz or at www.vcb-ca.com.

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Forward-Looking Statements

Statements concerning future performance, developments or events, expectations for growth and income forecasts, and any other guidance on future periods, constitute forward-looking statements that are subject to a number of risks and uncertainties. Actual results may differ materially from stated expectations. Specific factors include, but are not limited to, loan production, competitive pressure in the banking industry, balance sheet management, net interest margin variations, the ability to control costs and expenses, changes in the interest rate environment and financial policies of the United States government and general economic conditions. The Bank disclaims any obligation to update any such factors.

**Minutes of the Corporate Governance/Compensation Committee
of the Board of Directors of Valley Community Bank
January 20, 2009**

Members Present: (b) (4) [Redacted]
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