

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WN-09-04
)	
SUN VALLEY BANCORP,)	Effective Date: April 6, 2009
)	
Ketchum, Idaho.)	
OTS Docket No. H-3376)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, Sun Valley Bancorp, Ketchum, Idaho, OTS Docket No. H-3376 (Holding Company), by and through its Board of Directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Holding Company, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 USC § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Western Region (Regional Director), is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

I. CEASE AND DESIST

The Holding Company and its directors, officers, and employees shall cease and desist from any action (alone or with others) for or toward, causing, bringing about, participating in or

counseling or aiding and abetting any unsafe or unsound practice that resulted in inadequate asset quality, earnings, liquidity planning, and capital levels at the Association.

II. CAPITAL PLAN

Within forty-five (45) days, the Holding Company shall submit to OTS for review and approval a detailed capital plan to address how First Bank of Idaho, FSB, the wholly-owned savings association subsidiary of Holding Company, shall at each quarter end starting June 30, 2008, meet and maintain minimum capital levels of Tier 1 Core Capital of eight percent (8%) and Total Risk Based Capital of twelve percent (12%).

III. CAPITAL DISTRIBUTIONS

Effective immediately, the Holding Company shall not declare, make, or pay any dividends or other capital distributions or redeem any capital stock without receiving the prior written non-objection of OTS. The Holding Company's written request for such non-objection shall be submitted to OTS at least thirty (30) days prior to the anticipated date of the proposed dividend payment or capital distribution.

IV. DEBT LIMITATIONS/RESTRICTIONS

Effective immediately, the Holding Company shall not incur, issue, renew, repurchase, or rollover any debt, increase any current lines of credit, or guarantee the debt of any entity without receiving the prior written non-objection of OTS. The Holding Company's written request for such non-objection shall be submitted to OTS at least thirty (30) days prior to the anticipated date of any such proposed action.

V. PAYMENT LIMITATIONS/RESTRICTIONS

Effective immediately, the Holding Company shall make no payments (including but not limited to principal, interest, or fees of any kind) on any existing debt without receiving the prior

written non-objection of OTS. The Holding Company's written request for such non-objection shall be submitted to OTS at least thirty (30) days prior to the anticipated date of any such proposed payment.

VI. MANAGEMENT CHANGES

Effective immediately, the Holding Company shall comply with the requirements set forth in 12 CFR Part 563, Subpart H.

VII. SEVERANCE AND INDEMNIFICATION PAYMENTS

Effective immediately, the Holding Company shall not make any golden parachute payment¹ or prohibited indemnification payment² unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 CFR Part 359 and as to indemnification payments, 12 CFR § 545.121.

VIII. EFFECTIVE DATE, INCORPORATION OF STIPULATION

This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

IX. DURATION

This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

X. TIME CALCULATIONS

A. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

B. The Regional Director, an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Holding Company

¹ The term "golden parachute payment" is defined at 12 CFR § 359.1(f).

² The term "prohibited indemnification payment" is defined at 12 CFR § 359.1(l).

that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

XI. SUBMISSIONS AND NOTICES

A. All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

B. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first-class U. S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

To OTS:

C.K. Lee, Regional Director
Office of Thrift Supervision, Western Region
225 E. John Carpenter Freeway, Suite 500
Irving, TX 75062-2326

With a copy to:

Dale R. Blackburn, Assistant Director
Office of Thrift Supervision, Western Region
101 Stewart Street, Suite 1010
Seattle, WA 98101-2419

XII. NO VIOLATIONS AUTHORIZED

Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____
C.K. Lee, Regional Director
Western Region

Date: See Effective Date on page 1

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Before the
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SUN VALLEY BANCORP,)	Effective Date: April 6, 2009
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Ketchum, Idaho.)	
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_____)	

STIPULATION AND CONSENT TO
ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Sun Valley Bancorp, Ketchum, Idaho, OTS Docket No. H-3376 (Holding Company) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Holding Company pursuant to 12 USC § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order; and

WHEREAS, the Holding Company desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

a. The Holding Company is a “savings and loan holding company” within the meaning of 12 USC § 1813(w)(3) and 12 USC § 1467a. Accordingly, the Holding Company is a “depository institution holding company” as that term is defined in 12 USC § 1813(w)(1);

b. Pursuant to 12 USC § 1818(b)(9), the “appropriate Federal banking agency” may initiate a cease-and-desist proceeding against a savings and loan holding company in the same manner and to the same extent as a savings association for regulatory violations and unsafe and unsound acts or practices; and

c. Pursuant to 12 USC § 1813(q), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings and loan holding company. Therefore, the Holding Company is subject to the authority of OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 USC §§ 1818(b) and (b)(9).

2. OTS Findings of Fact.

Based upon information derived from its ongoing supervision of the Holding Company, the OTS finds that the Holding Company has engaged in unsafe and unsound practices, and has failed to ensure that its wholly owned savings association subsidiary, First Bank of Idaho, FSB (Association), did not engage in unsafe and unsound practices that resulted in inadequate asset quality, earnings, liquidity planning, and capital levels at the Association.

3. Consent.

The Holding Company consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). The Holding Company further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued by OTS under 12 USC § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 USC § 1818(i).

5. Waivers.

The Holding Company waives the following:

- a. The right to be served with a written notice of OTS's charges against it as provided by 12 USC § 1818(b) and 12 CFR Part 509;
- b. The right to an administrative hearing of OTS's charges as provided by 12 USC § 1818(b) and 12 CFR Part 509;
- c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 USC § 1818(h), or otherwise to challenge the validity of the Order; and
- d. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. OTS Authority Not Affected.

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting the Holding Company if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. Other Governmental Actions Not Affected.

The Holding Company acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company

that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than OTS.

8. Miscellaneous.

a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

b. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

c. All references to OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

f. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Regional Director or other authorized representative.

9. Signature of Directors/Board Resolution.

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting.

WHEREFORE, the Holding Company, by its directors, executes this Stipulation.

SUN VALLEY BANCORP
Ketchum, Idaho

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Wilson D. McElhinny
Chairman

By: _____ /s/
C.K. Lee, Regional Director
Western Region

Date: See Effective Date on page 1

_____/s/
William E. Babcock, Director

_____/s/
J. Karl Bick, Director

_____/s/
Everett Covington, Director

_____/s/
James Eden, Director

_____/s/
Robert C. Hummel, Director

_____/s/
Dennis Lallman, Director

_____/s/
Edward W. Liebszeit, Director

_____/s/
James D. McLaughlin, Director

Nancy R. Schauer, Director