

**UNITED STATES OF AMERICA**  
**BEFORE THE**  
**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**  
**WASHINGTON, D.C.**

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Written Agreement By and Between	)
	)
BANK OF EPHRAIM	)
Ephraim, Utah	)
	)
and	)
	)
FEDERAL RESERVE BANK OF SAN FRANCISCO	)
San Francisco, California	)
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Docket No. **01-009-WA/RB-SM**

WHEREAS, in recognition of the common goal of continuing to improve and strengthen the internal controls and procedures at the Bank of Ephraim, Ephraim, Utah (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, the Bank and the Federal Reserve Bank of San Francisco (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”);

WHEREAS, as the result of a recent examination, the Bank is taking steps to: (1) enhance and improve its policies and procedures for compliance with the Currency and Foreign Transactions Reporting Act (31 U.S.C. 5311 et seq.) and the accompanying regulations issued by the U.S. Department of the Treasury (31 C.F.R. 103.11 et seq.) (collectively referred to as the Bank Secrecy Act (the “BSA”)); and (2) ensure full compliance with all applicable laws and regulations, including the BSA, and Regulation H (12 C.F.R. 208.62 and 208.63) of the Board of Governors of the Federal Reserve System (“Board

of Governors”); and

WHEREAS, on August 14, 2001, and later of September 27, 2001 (the Reserve Bank sent a subsequent version of this Agreement for consideration), the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Keith V. Church to enter into this Agreement on behalf of the Bank and consenting to compliance by the Bank and its institution-affiliated parties, as defined by section 3(u) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. 1813(u)), with each and every provision of this Agreement.

NOW, THEREFORE, the Bank and the Reserve Bank agree as follows:

1. The Bank, and any institution-affiliated party thereof, shall not, directly or indirectly, violate the BSA or any rules or regulations issued pursuant thereto and shall correct all deficiencies relating to the BSA cited in the Report of Examination of the Bank as of December 31, 2000.

2. Within 45 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable enhanced customer due diligence program. The program shall be designed to reasonably ensure the identification and timely, accurate and **complete** reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities as required by the suspicious activity reporting provisions of Regulation H of the Board of Governors (12 C.F.R. 208.62). The enhanced customer due diligence program shall, at a minimum, provide:

(a) For a risk focused assessment of **the customer** base of the Bank to:

(i) **identify** the categories of customers whose transactions do not require monitoring because of the routine and usual nature of their banking activities; and

(ii) determine the appropriate level of enhanced due diligence necessary for those categories of customers that the Bank has reason to believe pose a heightened risk of illicit activities at or through the Bank.

(b) For those customers whose transactions require enhanced due diligence, procedures to:

(i) determine the appropriate documentation necessary to confirm the identity and business activities of the customer;

(ii) understand the normal and expected transactions of the customer; and

(iii) report suspicious activities in compliance with existing reporting requirements set forth in Regulation H of the Board of **Governors** (12 C.F.R. 208.62).

3. Within 45 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable enhanced written compliance program, as required by the applicable provisions of Regulation H of the Board of Governors (12 C.F.R. **208.63**), designed to, among other things, ensure and maintain compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto. The program, at a minimum, shall:

(a) Provide for independent testing of compliance with the BSA and all applicable rules and regulations thereof and the identification and reporting of suspicious activity, and ensure that compliance audits are performed frequently, are fully documented, and are conducted with the appropriate segregation of duties;

(b) establish a system of internal controls to ensure compliance with the BSA and the rules and regulations issued pursuant thereto;

(c) ensure that the Bank's BSA compliance program is supervised and

managed by a qualified senior officer who possesses the appropriate experience, training and authority to oversee the BSA compliance and enhanced customer due diligence programs; and

(d) provide training to all appropriate personnel (including, but not limited to, tellers, customer service representatives, lending officers, private and personal banking officers and all other customer contact personnel), conducted by competent personnel, in all aspects of regulatory and internal policies and procedures related to the BSA, accurate recordkeeping and form completion requirements related to the BSA and the identification and reporting of suspicious activity and update the training on a regular basis to ensure that all personnel have the most current and up to date information.

4. Within 45 days after the end of each calendar quarter (September 30, December 31, March 31, and June 30) following the date of this Agreement, the Bank shall submit a written progress report to the Reserve Bank detailing **the actions** taken to comply with each provision of this Agreement and the results of those actions. Such reports may be discontinued when the Reserve Bank, in writing, releases the Bank **from** making further reports.

5. The Bank shall submit the programs required by paragraphs 2 and 3 hereof that are acceptable to the Reserve Bank within the time periods set forth in this Agreement. The Bank shall adopt the programs that are approved by the Reserve **Bank** within 10 days of approval by the Reserve Bank and then shall fully comply with them. During the term of this Agreement, the Bank shall not amend or rescind the approved programs without the prior written approval of the Reserve Bank.

6. All communications regarding this Agreement shall be sent to:

(a) Mr. Philip Ryan  
Director  
Federal Reserve Bank of San Francisco

101 Market Street  
San Francisco, California 94105

(b) Mr. Keith Church  
Chief Executive Officer and President  
Bank of Ephraim  
2 North Main Street  
Ephraim, Utah 84627

7. The provisions of this Agreement shall be binding on the Bank and each of its institution-affiliated parties in their capacities as such, and their successors and assigns.

8. Each provision of this Agreement shall **remain** effective and enforceable until stayed, modified, terminated, or suspended by the Reserve Bank.

9. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

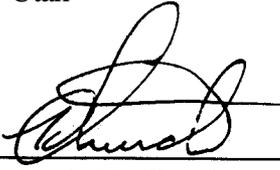
10. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, or any other federal or state agency or department, from taking any other action affecting the Bank, or any of its current or former institution-affiliated parties, or their successors, or assigns.

11. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 26<sup>th</sup> day of October, 2001.

Bank of Ephraim  
Ephraim, Utah

Federal Reserve Bank of San Francisco

By:   
Mr. Keith V. Church  
Chief Executive Officer and President

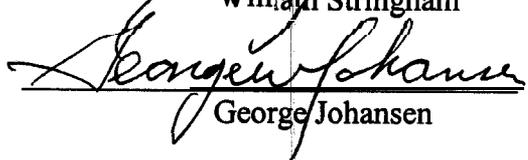
By:   
Mr. Philip Ryan  
Director

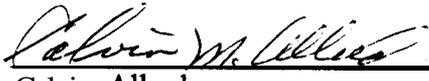
Each of the undersigned directors of the Bank acknowledges having read this Agreement and approves of the consent thereto by the Bank.

  
Carl Barton, Chairman

  
William Stringham

  
Larry Christensen

  
George Johansen

  
Calvin Allred

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