

Cache Valley Banking Company

March 6th, 2009

Neil M. Barofsky
Special Inspector General- TARP
Troubled Asset Relief Program
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Re: Cache Valley Banking Company – TARP Program

Dear Mr. Barofsky:

I received your letter directed to myself at Cache Valley Bank dated February 6th, 2009, and respond thereto. Pursuant to your letter this response is being provided to you electronically at SIGTARP.response@do.treas.gov with the original signed certification being mailed to the address above stated. This response is organized by reference to your numbered requests.

The Response of Cache Valley Banking

- (1) Cache Valley Banking Company is a bank holding company for Cache Valley Bank. A small community bank operating in Cache County, Utah. The anticipated use of the TARP funds was to make a capital injection into the Bank. That is exactly what those funds were used for; all funds received were immediately transferred to the Bank. Within the Bank, those funds are not segregated but constitute additional capital to the Bank for the purpose of supporting its general banking activities. With this additional capital, the Bank has continued and expanded lending in its market area which is principally the Cache Valley in Northern Utah and its surrounding areas. The Bank's loan to deposit ratio is in the range of 85% plus, hence, the funds were needed and used in supporting the Bank's general lending activities. The Bank is experiencing some funding pressures. About the same time the funds were received, the Bank was engaged in a significant effort to refinance home mortgages to the present lower rates. That activity has required the capacity to ware house those mortgages beginning in late December and continuing through the present time. This has required about \$4 to \$6 million on a daily basis. Had the TARP funds not have been available the Bank would have *attempted* to obtain additional deposits and/or borrowings to support its continued and/or increased lending activities. The TARP funds have fulfilled that need.

- (2) As a small community bank, there are no officers receiving compensation at the levels controlled or prohibited by the executive compensation requirements or limitations. We do have some incentive programs for our senior and lending officers. Loan risk is a factor in evaluating the officers performance and payment of the incentives.

As a part of this response I attached a copy of a short form balance sheet for the months of November 2008 through the month of February 2009 of the bank. This will illustrate how the Bank's balance sheet has been affected by the receipt of the TARP funds and also demonstrate the Bank's lending activities.

Pursuant to your request all materials regarding the TARP funds are being preserved and segregated should there be any need at any time to review the same. Please accept my signature on this response as a "duly authorized senior executive officer of Cache Valley Banking Company, certifying to the accuracy of all statements, representations, and supporting information provided to you herein pursuant to Title 18, United States Code, Section 101.

Sincerely
CACHE VALLEY BANKING COMPANY

J. Gregg Miller _____
J. Gregg Miller
President and Chairman

Cache Valley Bank
Logan, Utah

Month-End Balance Sheet

	History 11-2008	History 12-2008	History 01-2009	History 02-2009
-----	-----	-----	-----	-----
Total Cash/Due	4,803,978	3,459,039	2,796,203	4,191,713
Total Investment	47,817,955	43,902,171	41,511,694	41,485,227
Gross Loans	142,287,876	142,925,554	142,704,818	143,503,417
1-4 Mortgage loans	456,125	6,370,672	5,679,538	4,815,597
Allow Loan Loss	-3,444,666	-2,945,980	-2,954,434	-2,923,986
-----	-----	-----	-----	-----
Net Loans	139,299,335	146,350,246	145,429,922	145,395,028
Sub Fixed Assets	4,224,723	4,312,734	4,314,883	4,299,689
Sub Other Assets	5,419,288	5,590,922	6,254,612	6,543,658
-----	-----	-----	-----	-----
TOTAL ASSETS	201,565,279	203,615,112	200,307,314	201,915,315
=====	=====	=====	=====	=====
Sub Non-Int Dep	30,440,253	30,660,288	30,432,539	29,945,737
Sub Int Deposits	51,599,961	44,974,439	40,103,948	39,458,408
Sub Time Deposit	94,049,207	92,695,745	93,125,908	93,562,606
-----	-----	-----	-----	-----
Total Deposits	176,089,420	168,330,472	163,662,395	162,966,752
Total Oth Liabs	3,678,127	8,208,615	9,435,843	11,679,761
Total Equity Cap	21,797,731	27,076,024	27,209,076	27,268,803
-----	-----	-----	-----	-----
TOTAL LIAB & EQ	201,565,279	203,615,112	200,307,314	201,915,315
=====	=====	=====	=====	=====