FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2010 AND 2009

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets December 31, 2010 and 2009	2
Statements of Operations For the years ended December 31, 2010 and 2009	3
Statements of Changes in Shareholders' Equity For the year ended December 31, 2010 and 2009	4
Statements of Cash Flows For the year ended December 31, 2010 and 2009	5
NOTES TO FINANCIAL STATEMENTS	6 through 27

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders of
US Metro Bank
Garden Grove, California

We have audited the accompanying balance sheets of US Metro Bank (the "Bank") as of December 31, 2010 and 2009, and the related statements of operations, changes in shareholders' equity and cash flows for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of US Metro Bank as of December 31, 2010 and 2009, and the results of its operations, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
March 31, 2011

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO

This page has been left bank intentionally

US METRO BANK
BALANCE SHEETS
December 31, 2010 and 2009

ASSETS

	2010	2009
Total Cash Items and Due From Banks	$ 11,426,037	$ 8,398,665
Short Term Interest Bearing Deposits	870,000	-
Cash and Cash Equivalents	12,296,037	8,398,665
Interest Bearing Deposits Due From Banks	3,832,000	16,799,000
Federal Home Loan Bank Stock, at cost	423,000	422,900
Loan Held for Sale	1,896,829	225,000
Loans	82,704,318	90,592,347
Allowance for Loan Losses	(2,017,757)	(2,723,798)
Net Deferred Loan Fees	16,193	(33,402)
Net Loans	80,702,754	87,835,147
Premises and Equipment, Net	1,308,692	1,576,195
Accrued Interest Receivable and Other Assets	1,155,502	1,445,639
Total Assets	$ 101,614,814	$ 116,702,546

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities		
Deposits:		
Noninterest-bearing Deposits	$ 9,233,637	$ 14,040,050
Interest-bearing Deposits	75,245,275	86,115,015
Total Deposits	84,478,912	100,155,065
Borrowings	984,999	-
Accrued Interest Payable and Other Liabilities	473,915	674,517
Total Liabilities	85,937,826	100,829,582
Commitments and Contingencies (Note 9)	-	-
Shareholders' Equity		
Preferred Stock, No Par Value, 10,000,000 Shares Authorized; 3,004 Issued and Outstanding as of December 31, 2010 and 2009	2,918,200	2,889,600
Common Stock, no Par Value, 10,000,000 Shares Authorized; 1,980,000 Shares Issued and Outstanding as of 2010 and 2009, respectively	19,503,915	19,659,835
Additional Paid in Capital	1,307,644	1,158,498
Accumulated Deficit	(8,052,771)	(7,834,969)
Total Shareholders' Equity	15,676,988	15,872,964
Total Liabilities and Shareholders' Equity	$ 101,614,814	$ 116,702,546

The accompanying notes are an integral part of these financial statements.

US METRO BANK
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2010 and 2009

	2010	2009
INTEREST INCOME		
Interest and Fees on Loans	$ 5,226,620	$ 5,639,775
Interest on Federal Funds Sold	-	5,798
Interest on Interest Bearing Deposits Due From Banks	81,576	194,464
Interest on Investment Securities	1,439	852
Total Interest Income	5,309,635	5,840,889
INTEREST EXPENSE		
Interest on Savings, NOW and Money Market Deposits	396,135	868,679
Interest on Time Deposits	845,449	1,697,076
Interest on Other Borrowings	4,232	11
Total Interest Expense	1,245,816	2,565,766
Net Interest Income Before Provision for Loan Losses	4,063,819	3,275,123
Provision for Loan Losses	1,325,000	3,331,000
Net Interest Income (Loss) After Provision for Loan Losses	2,738,819	(55,877)
NON INTEREST INCOME		
Service Charges and Fee Income	570,930	591,554
Gain on Sale of SBA Loans	245,581	322,952
Other Income	131,744	106,945
Total Non Interest Income	948,255	1,021,451
NON INTEREST EXPENSE		
Salaries and Employee Benefits	1,927,394	2,305,924
Occupancy and Equipment Expenses	622,282	675,234
Loss on Sale of Loans	71,135	-
Other Expenses	1,254,665	1,202,383
Total Non Interest Expense	3,875,476	4,183,541
NET LOSS BEFORE INCOME TAX PROVISION	(188,402)	(3,217,967)
INCOME TAX PROVISION	800	800
NET LOSS	(189,202)	(3,218,767)
Dividends and Accretion on Preferred Stock	(184,520)	(149,438)
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	$ (373,722)	$ (3,368,205)
LOSS PER SHARE		
BASIC AND DILUTED	$ (0.19)	$ (1.70)

The accompanying notes are an integral part of these financial statements.

US METRO BANK
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2010 and 2009

	Preferred Stock		Common Stock		Additional		Total
	Shares Outstanding	Amount	Shares Outstanding	Amount	Paid Capital	Accumulated Deficit	Shareholders Equity
Balance, January 1, 2009		$ -	1,980,000	$ 19,780,673	$ 849,103	$ (4,587,602)	$ 16,042,174
Proceeds from Preferred Stock (Series A) and Warrants (Series B)	3,004	2,861,000					2,861,000
Dividends Paid on Preferred Stock				(120,838)			(120,838)
Accretion of Discount on Preferred Stock		28,600				(28,600)	-
Share Based Compensation Expense					309,395		309,395
Net Loss						(3,218,767)	(3,218,767)
Balance, December 31, 2009	3,004	2,889,600	1,980,000	19,659,835	1,158,498	(7,834,969)	15,872,964
Dividends Paid on Preferred Stock				(155,920)			(155,920)
Accretion of Discount on Preferred Stock		28,600				(28,600)	-
Share Based Compensation Expense					149,146		149,146
Net Loss						(189,202)	(189,202)
Balance at December 31, 2010	3,004	$ 2,918,200	1,980,000	$ 19,503,915	$ 1,307,644	$ (8,052,771)	$ 15,676,988

The accompanying notes are an integral part of these financial statements.

US METRO BANK
STATEMENTS OF CASH FLOW
For the Years Ended December 31, 2010 and 2009

CASH FLOWS FROM OPERATING ACTIVITIES	**2010**	**2009**
Net Loss	$ (189,202)	$ (3,218,767)
Adjustments to Reconcile Net Loss to		
Net Cash Used by Operating Activities:		
Depreciation and Amortization	282,881	314,278
Provision for Credit Losses	1,325,000	3,331,000
Share Based Compensation Expense	149,146	309,395
Proceeds from Sale of Loans Held for Sale	3,049,319	2,576,554
Origination of Loans Held for Sale	(5,800,568)	(4,580,000)
Net Gain on Sale of Loans	(245,581)	(322,952)
Loss on Sale of Loans	71,135	-
Decrease (Increase) in Accrued Interest Receivable and Other Assets	290,137	(666,771)
Increase (Decrease) in Accrued Interest Payable and Other Liabilities	(200,602)	173,217
Net Cash Used by Operating Activities	(1,268,335)	(2,084,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of FHLB Stock	(100)	(52,400)
Net Decrease (Increase) in Interest Bearing Deposits From Banks	12,967,000	(7,199,000)
Net Decrease in Loans	7,061,258	799,740
Purchase of Premises and Equipment	(15,377)	(8,184)
Net Cash Provided by (Used in) Investing Activities	20,012,781	(6,459,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Borrowings	984,999	-
Net (Decrease) Increase in Demand Deposits and Savings Accounts	(11,562,180)	9,180,273
Net Decrease in Time Deposits	(4,113,973)	(3,810,147)
Proceeds from Issuance of Preferred Stock	-	2,861,000
Cash Dividends Paid	(155,920)	(120,838)
Net Cash (Used in) Provided by Financing Activities	(14,847,074)	8,110,288
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,897,372	(433,602)
Cash and Cash Equivalents at Beginning of Period	8,398,665	8,832,267
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$** 12,296,037	$ 8,398,665
Supplemental Disclosure of Cash Flow Information		
Cash Payment for Interest	$ 1,623,899	$ 2,361,631
Cash Payment for Income Taxes	$ 800	$ 800
Transfers of Loans to OREO	$ 2,525,600	$ -

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of US Metro Bank (the "Bank") are in accordance with accounting principles generally accepted in the United States of America and conform to practices within the banking industry. A summary of the significant accounting policies follows:

A. Nature of Operations

The Bank is a California state chartered bank that provides a full range of banking services to commercial and consumers through its branch in Garden Grove and Loan Production Office (the "LPO") in Los Angeles, California. The Bank's business is subject to the general economic conditions of those areas. The Bank was incorporated on April 21, 2006 and opened for business on September 15, 2006.

The Bank has a significant business and geographic concentration in the Korean communities in Southern California and is affected by economic conditions in the areas and in Korea. A decline in economic and business conditions in the market areas and in Korea could have a material impact on the quality of the Bank's loan portfolio or the demand for the product and services, which in turn may have material adverse effect on the Bank.

B. Subsequent Events

The Bank has evaluated subsequent events for recognition and disclosure through March 31, 2011, which is the date the financial statements were available to be issued.

C. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash, due from banks and federal funds sold. Generally, federal funds are sold for one-day periods.

E. Cash and Due from Banks

Banking regulations require that banks maintain a percentage of their deposits as reserve in cash or on deposit with the Federal Reserve Bank. There was no reserve requirement as of December 31, 2010 or 2009.

The Bank maintains amounts due from banks, which may exceed federally insured limits. The Bank has not experienced any losses in such accounts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans. Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Loans on which the accrual of interest has been discontinued are designated as nonaccrual loans. The accrual of interest on loans is discontinued when principal or interest is past due 90 days based on the contractual terms of the loan or when, in the opinion of management, there is reasonable doubt as to collectability. When loans are placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Income on nonaccrual loans is subsequently recognized only to the extent that cash is received and the loan's principal balance is deemed collectible. Interest accruals are resumed on such loans only when they are brought current with respect to interest and principal and when, in the judgment of management, the loans are estimated to be fully collectible as to all principal and interest.

The Bank considers a loan to be impaired when it is probable that the Bank will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Measurement of impairment is based on the expected future cash flows of an impaired loan, which are to be discounted at the loan's effective interest rate, or measured by reference to an observable market value, if one exists, or the fair value of the collateral for a collateral-dependent loan. The Bank selects the measurement method on a loan-by-loan basis except that collateral-dependent loans for which foreclosure is probable are measured at the fair value of the collateral. The Bank recognizes interest income on impaired loans based on its existing methods of recognizing interest income on nonaccrual loans.

G. Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general reserves. Specific reserves relate to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are generally considered troubled debt restructurings and classified as impaired.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. Allowance for Loan Losses, continued

Commercial and real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Bank determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

General reserves cover non-impaired loans and are based on historical loss rates for each portfolio segment, adjusted for the effects of qualitative or environmental factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio segment's historical loss experience. Qualitative factors include consideration of the following: changes in lending policies and procedures; changes in economic conditions, changes in the nature and volume of the portfolio; changes in the experience, ability and depth of lending management and other relevant staff; changes in the volume and severity of past due, nonaccrual and other adversely graded loans; changes in the loan review system; changes in the value of the underlying collateral for collateral-dependent loans; concentrations of credit and the effect of other external factors such as competition and legal and regulatory requirements.

Portfolio segments identified by the Bank include construction, commercial real estate, commercial and industrial and consumer loans. Relevant risk characteristics for these portfolio segments generally include debt service coverage, loan-to-value ratios and financial performance on non-consumer loans and credit scores, debt-to income, collateral type and loan-to-value ratios for consumer loans.

H. Servicing Rights

The Bank adopted accounting rules, for the sale of Small Business Administration (SBA) loans. Servicing rights are recognized separately when they are acquired through sale of loans. A portion of the cost of the loan is allocated to the servicing right based on relative fair values. The valuation model uses assumptions that market participants would use in estimating cash flows from servicing assets, such as the cost of service, discount rates and prepayment speeds. The Bank compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. Servicing Rights, continued

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. Each right was evaluated on an individual basis using current assumptions on prepayment speeds and discounted rates. For purpose of measuring impairment, the Bank has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of the asset. If the Bank later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and changes in the discount rates.

Servicing fee income which is reported on the income statement as servicing income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and recorded as income when earned. The amortization of servicing rights and changes in the valuation allowance are netted against loan servicing income.

I. Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives, which range from three to seven years for furniture and equipment. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the improvements or the remaining lease term, whichever is shorter. Expenditures for improvements or major repairs are capitalized and those for ordinary repairs and maintenance are charged to operations as incurred.

J. Federal Home Loan Bank (FHLB) Stock

The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income.

K. Advertising Cost

The Bank expenses the costs of advertising in the period incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

L. Income Taxes

Deferred income tax assets are computed using the balance sheet method, which recognizes a liability or asset representing the tax effects, based on current tax law, of future deductible or taxable amounts attributable to events that have been recognized in the consolidated financial statements. A valuation allowance is established to reduce the deferred tax asset to the level at which it is "more likely than not" that the tax asset or benefits will be realized. Realization of tax benefits of deductible temporary differences and operating loss carryforwards depends on having sufficient taxable income of an appropriate character within the carryforward periods.

The Bank has adopted guidance issued by the Financial Accounting Standards Board ("FASB") that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Interest and penalties related to uncertain tax positions are recorded as part of income tax expense.

M. Comprehensive Income/Loss

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income. Net loss is the only component of comprehensive loss for the years ending December 31, 2010 and 2009.

N. Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit as described in Note 9. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

O. Loss Per Share (LPS)

Basic LPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted LPS reflects the potential dilution that could occur if options or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. However, the Bank realized a net loss for the years ended 2010 and 2009, and the effects of any outstanding options would be anti-dilutive on earnings per share. Weighted–average shares used in the computation of basic LPS were 1,980,000 in 2010 and 2009.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Stock Based Compensation

The Bank adopted accounting rules using the "modified prospective" method. Under this method compensation expense is recognized using the fair-value method for all new stock option awards. The fair value of each grant is estimated using the Black-Scholes option pricing model. During 2010 and 2009 the Bank recognized pre-tax share-based compensation expense of $149,146 and $309,395, respectively. See Note 11 for additional information on the Bank's stock option plan.

Q. Reclassification

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation. These reclassifications had no impact of the Bank's previously reported financial statements.

R. New Accounting Pronouncements

Adoption of New Accounting Standards

In June 2009, accounting standards were amended to clarify when a transferor has surrendered control over transferred financial assets and thus is entitled to account for the transfer as a sale. The amendments establish specific conditions for accounting for the transfer of a financial asset, or a portion of a financial asset, as a sale. This guidance was effective for transfers occurring on or after January 1, 2010 and impacted when a loan participation or SBA loan sale could be accounted for as a sale and the related transferred asset derecognized by the Bank. Adoption of the standard by the Bank in 2010 did not have a material impact on its balance sheet or statement of operations other than a three month delay in the recognition of the sale and related gain on SBA loan sales due to the existence of recourse provisions commonly found in SBA loan sale agreements.

In July 2010, accounting standards were amended to require significantly more information about the credit quality of the Bank's loan portfolio. Although this statement addresses only disclosure and does not seek to change recognition or measurement, the disclosure represents a meaningful change in practice. New period-end related disclosures are reflected in these financial statements while new activity related disclosures will be effective in 2011.

NOTE 2. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the Bank's loan portfolio as of December 31, 2010 and December 31, 2009 was as follows:

	2010	2009
Construction Loans	$ -	$ 1,429,101
Commercial Real Estate Loans	60,024,655	62,028,930
Commercial and Industrial Loans	22,628,240	27,011,432
Consumer Loans	45,401	118,305
Overdraft	6,022	4,579
Total Gross Loans	82,704,318	90,592,347
Allowance for loan losses (ALL)	(2,017,757)	(2,723,798)
Deferred loan fees, net of loan origination costs	16,193	(33,402)
Total Loans Net of ALL and Deferred Loan Fees	$ 80,702,754	$ 87,835,147

A summary of the changes in the allowance for loan losses for the years ended December 31, 2010 and December 31, 2009 is as follows:

	2010	2009
Balance, beginning of period	$ 2,723,798	$ 1,371,182
Loan charge offs	(2,097,450)	(1,989,660)
Loan recoveries	66,409	11,276
Provision for loan losses	1,325,000	3,331,000
Allowance for loan losses as of end of period	$ 2,017,757	$ 2,723,798

Loans are placed on non-accrual status when they became 90 days or more past due, unless the loan is both well secured and in the process of collection. Loans may be on non-accrual status earlier if full and timely collection of principal or interest becomes uncertain. When a loan is placed on non-accrual status, unpaid accrued interest is charged against interest income. Loans are charged off when the management determines that collection has become unlikely.

NOTE 2. LOANS AND ALLOWANCE FOR LOAN LOSSES, continued

Information on impaired loan as of December 31, 2010 and December 31, 2009 was as follows:

	2010	2009
Impaired loans with a valuation allowance	$ 2,683,467	$ 4,161,897
Impaired loans without a valuation allowance	3,579,467	538,092
Total impaired loans	$ 6,262,934	$ 4,699,989
Valuation allowance related to impaired loans	$ 284,902	$ 509,246
Nonaccrual loans	$ 4,578,493	$ 4,699,989
Loans past due 90 days or more, still accruing	$ 559,706	$ -
Interest income recognized on impaired loans on a cash basis during the year	$ -	$ -
Average investment in impaired loans during the year	$ 6,577,135	$ 4,102,154

The amount of additional income that would have recorded in 2010 and 2009 if non-accrual loans had been current in accordance with their original term was $141,858 and $196,173 respectively.

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by impairment method as of December 31, 2010:

	Evaluated for Impairment		
Allowance for loan losses	Individually	Collectively	Total
Commercial Real Estate Loans	$ 85,550	$ 667,351	$ 752,901
Commercial and Industrial Loans	199,352	1,064,244	1,263,596
Consumer Loans	-	1,260	1,260
	$ 284,902	$ 1,732,855	$ 2,017,757

	Evaluated for Impairment		
Loans	Individually	Collectively	Total
Commercial Real Estate Loans	$ 2,745,839	$ 57,278,816	$ 60,024,655
Commercial and Industrial Loans	3,517,095	19,111,145	22,628,240
Consumer Loans	-	51,423	51,423
	$ 6,262,934	$ 76,441,384	$ 82,704,318

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained.

NOTE 2. LOANS AND ALLOWANCE FOR LOAN LOSSES, continued

The Bank uses the following definitions for risk ratings:

Special Mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Impaired – A loan is considered impaired, when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller homogeneous loans not assessed on an individual basis.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows as of December 31, 2010:

	Pass	Special Mention	Substandard	Impaired	Total
Commercial Real Estate Loans	$ 53,758,011	$ -	$ 3,520,805	$ 2,745,839	$ 60,024,655
Commercial and Industrial Loans	17,366,710	276,594	1,467,841	3,517,095	22,628,240
Consumer Loans	51,423	-	-	-	51,423
	$ 71,176,144	$ 276,594	$ 4,988,646	$ 6,262,934	$ 82,704,318

Past due and nonaccrual loans were as follows as of December 31, 2010:

	Still Accruing		
	30-89 Days Past Due	Over 90 Days Past Due	Nonaccrual
Real Estate Commercial Loans	$ 1,282,809	$ -	$ 2,411,865
Commercial and Industrial Loans	239,749	559,706	2,166,628
	$ 1,522,558	$ 559,706	$ 4,578,493

NOTE 2. LOANS AND ALLOWANCE FOR LOAN LOSSES, continued

Individually impaired loans were as follows as of December 31, 2010:

	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no Related Allowance Recorded					
Commercial Real Estate Loans	$ 761,907	$ 761,162	$ -	$ 766,183	$ -
Commercial and Industrial Loans	2,817,560	2,824,097	-	2,954,090	-
With an Allowance Recorded					
Commercial Real Estate Loans	1,983,932	1,993,687	85,550	2,100,384	-
Commercial and Industrial Loans	699,535	700,712	199,352	756,478	-
	$ 6,262,934	$ 6,279,658	$ 284,902	$ 6,577,135	$ -

The Bank has allocated $61,658 and $0 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2010 and 2009. Lost interest on troubled debt restructurings was $110,566 and $0 as of December 31, 2010 and 2009, respectively. The Bank has committed to lend no additional amounts as of December 31, 2010 and 2009, to customers with outstanding loans that are classified as troubled debt restructurings.

NOTE 3. PREMISES AND EQUIPMENT

Premises and equipment at December 31, 2010 and 2009 is as follows:

	2010	2009
Furniture and Equipment	$ 875,448	$ 860,071
Leasehold improvements	1,735,293	1,735,293
	2,610,741	2,595,364
Accumulated depreciation and amortization	(1,302,049)	(1,019,169)
	$ 1,308,692	$ 1,576,195

Total depreciation expense for the years ended December 31, 2010 and 2009 was $282,881 and $314,278, respectively.

NOTE 4. SALES OF SBA LOANS AND SERVICING RIGHT

The Bank was servicing approximately $25,715,538 and $27,571,299 in SBA loans previously sold as of December 31, 2010 and 2009, respectively.

The activity for SBA servicing rights, included with other assets on the balance sheet, that are measured at amortized cost and the related valuation allowance, fair value and key assumptions used to estimate the fair value are as follows:

	2010	2009
Carrying Amount At Beginning of Year	$ 193,052	$ 200,484
Addition from SBA Loan Sales	46,976	59,081
Amortization	(91,874)	(66,063)
	148,154	193,502
Less Valuation Allowance	-	-
Carrying Amount at End of Year	$ 148,154	$ 193,052
Fair Value, Beginning of Year	$ 394,657	$ 316,174
Fair Value, End of Year	388,777	394,657
Discount Rates	5.0% to 7.0%	14.0% to 15.7%
Prepayment Speeds	6.4% to 15.8%	13.0% to 21.5%

Fair Value is estimated by discounting future cash flows from the servicing assets using discount rates that approximate current market rates over the expected lives of the loans being serviced. For the purposes of measuring impairment, the Bank has identified each servicing asset with the underlying loan being serviced. A valuation allowance is recorded where the fair value is below the carrying amount of asset.

NOTE 5. DEPOSITS

Interest-bearing deposits at December 31, 2010 and 2009 consist of the followings:

	2010	2009
NOW Accounts	$ 9,349	$ 13,107
Savings	1,453,279	1,301,805
Money Market	28,174,114	35,077,597
Time Certificate of Deposit Accounts under $100,000	18,125,524	11,824,875
Time Certificate of Deposit Accounts $100,000 or over $100,000	27,483,009	37,897,631
	$ 75,245,275	$ 86,115,015

NOTE 5. DEPOSITS, continued

As of December 31, 2010 and 2009, all noninterest-bearing deposits are demand deposits. The maturity of time certificates deposit is as follows:

	2010	2009
Three months or less	$ 14,493,440	$ 34,422,477
Over three months through one year	20,574,051	14,844,305
One year to three years	4,693,795	455,724
Three year to five years	5,847,247	-
Total Time Deposits	$ 45,608,533	$ 49,722,506

NOTE 6. BORROWINGS

Borrowings include the borrowings from the FHLB, federal funds purchased. As part of the asset liability management, the Bank utilizes FHLB borrowings to supplement the deposit source of funds. Therefore, there may be fluctuations in these balances depending on the short-term liquidity and longer-term financing needs of the Bank.

The Bank may borrow up to $3,000,000 and $5,000,000 overnight on an unsecured basis from a correspondent bank as of December 31, 2010 and 2009, respectively. The Bank's FHLB membership was approved in June 2008. The borrowing capacity was $8.5 million and $7.7 million at December 31, 2010 and 2009, respectively, which is lower of collateral capacity or 25% of the Bank's total assets. The terms of this credit facility require the Bank to pledge to the FHLB eligible collateral of at least 100% of outstanding advances. As of December 31, 2010, the Bank pledged 21 loans secured by real estate to the FHLB with loan book value of $18,457,946. As of December 31, 2009, the Bank pledged 19 loans secured by real estate to FHLB with loan book value of $18,792,235. There were no outstanding borrowings as of December 31, 2010 and 2009.

Under accounting standards effective January 1, 2010, at December 31, 2010 the Bank was required to report as a secured borrowings $984,999, represented by two SBA loans that had been sold but for which sale recognition was required to be delayed for three months due to the existence of recourse provisions commonly found in SBA loan sale agreements.

NOTE 7. NON INTEREST EXPENSE – OTHER

A summary of other non-interest expense for the year ended December 31, 2010 and 2009 is as follows:

	2010	2009
Outside Service	$ 312,528	$ 307,784
Regulatory Assessment	280,301	236,481
Professional Expenses	234,579	233,123
Corporate Expense	87,863	143,533
Business Development	60,120	74,010
Office Supplies and Communication	84,224	84,286
Other	195,050	123,166
Total Noninterest Expense - Other	$ 1,254,665	$ 1,202,383

NOTE 8. INCOME TAXES

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income and expense recognition. The Bank's principal timing differences are from pre-opening expenses, depreciation differences, allowance for loan losses, and share-based compensation expense.

	2010	2009
Deferred Tax Assets:		
Pre-opening expenses	$ 287,000	$ 314,000
Operating loss carryforwards	1,855,000	1,658,000
Allowance for loan losses due to tax limitation	507,000	853,000
Charitable contribution	4,000	1,000
Share based compensation	241,000	259,000
Off balance sheet reserve	23,000	23,000
Depreciation	140,000	83,000
	3,057,000	3,191,000
Valuation Allowance	(3,029,000)	(3,001,000)
Deferred Tax Liabilities:		
FHLB Dividends	2,000	-
Cash basis reporting for income tax purposes	26,000	190,000
	28,000	190,000
Net Deferred Tax Assets	$ -	$ -

NOTE 8. INCOME TAXES, continued

The full valuation allowance was established because the Bank has not reported earnings sufficient enough to support the recognition of the deferred tax assets. The Bank has net operating loss carryforwards of approximately $4,456,000 for federal income and $4,753,000 for state tax purposes. Federal and California net operating loss carryforwards, to the extent not used will expire through 2030.

The bank is subject to federal income tax, California franchise tax, and other State taxes. Federal income tax returns for the year ended December 31, 2009, 2008, and 2007 are open to audit by the federal authorities and California returns for the year ended December 31, 2009, 2008, 2007, and 2006 are open to audit by State authorities. Unrecognized tax benefits are not expected significantly increase or decrease within the next twelve months.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Financial instruments with off-balance-sheet risk

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit. These instruments involve, to varying degrees, elements of credit in excess of the amounts recognized in the balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for these commitments is represented by the contractual amounts of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

The following is a summary of contractual or notional amount of off-balance sheet financial instruments that represent credit risk at December 31:

	2010	2009
Financial instruments whose contract amounts Represent credit risks:		
Commitments to extend credit	$ 6,925,313	$ 2,128,290
Standby letter of credit	60,000	443,334
	$ 6,985,313	$ 2,571,624

Commitment extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the contract. Commitment and letter of credit generally have variable rates that are tied to the prime rate. Commitments generally have fixed expiration dates of not more than 12 months and may require payment of a fee. Since many of the commitments are not expected to be drawn upon, the total commitment amounts may not represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation. Collateral held various but may include marketable investment securities, accounts receivable, inventory, property, plant, and equipment, and real properties.

NOTE 9. COMMITMENTS AND CONTINGENCIES, continued

The Bank is not currently a party to any legal proceedings.

Lease commitments

The Bank leases its Garden Grove office under operating lease agreements. The Los Angeles LPO lease was extended for one year in August 2010 and it is currently under month to month rental agreement with a 90 day notice requirement. The Garden Grove office lease expires in 2015 with two renewal option periods of five years. The agreement requires monthly lease payments of approximately $12,669 with annual Consumer Price Index (CPI), but not less than 3% and not more than 5% on each adjustment date. The Bank is responsible for common area expenses including maintenance, taxes and insurance. Rent expense totaled approximately $196,504 and $175,795 for the period ended December 31, 2010 and 2009, respectively.

The future annual minimum lease payments under these operating leases as of December 31, 2010 as follows:

2011	$	152,340
2012		156,910
2013		161,618
2014		166,466
2015		113,175
	$	750,509

NOTE 10. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). In addition, the Bank is required to maintain a Tier I leverage capital ratio of 8% for the first three years of operations. Management believes that the Bank meets all capital adequacy requirements that it is subject to as of December 31, 2010

NOTE 10. REGULATORY CAPITAL REQUIREMENTS, continued

Management also believes the Bank is categorized as well capitalized under the regulatory framework for prompt corrective action. As of December 31, 2010, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. Management also believes that the Bank meets all their capital adequacy requirements as of December 31, 2010 and 2009. The actual amount and ratio of capital and the required minimum total risk-based, Tier I risk based and Tier I leverage ratios for capital adequacy purposes and to be categorized as well capitalized under prompt corrective action are as follows:

	Actual		For Capital Adequacy Purposes		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2010						
Total Capital (to risk-weighted assets)	$ 16,734,594	19.7%	$ 6,783,469	8.00%	$ 8,479,336	10.00%
Tier I Capital (to risk-weighted assets)	$ 15,662,173	18.5%	$ 3,391,734	4.00%	$ 5,087,602	6.00%
Tier I Capital (to average assets)	$ 15,662,173	14.8%	$ 4,244,721	4.00%	$ 5,305,901	5.00%
December 31, 2009						
Total Capital (to risk-weighted assets)	$ 17,070,497	17.8%	$ 7,661,529	8.00%	$ 9,576,912	10.00%
Tier I Capital (to risk-weighted assets)	$ 15,853,856	16.6%	$ 3,830,765	4.00%	$ 5,746,147	6.00%
Tier I Capital (to average assets)	$ 15,853,856	13.2%	$ 4,818,962	4.00%	$ 6,023,703	5.00%

Federal and state banking regulations place certain restrictions on dividends paid to shareholders. The total amount of dividends that may be paid at any date is generally limited to the lesser of the Bank's retained earnings or net income for the last three years, subject to minimum capital requirements. As of December 31, 2010 and 2009, the Bank was restricted from paying dividends except dividends for the Troubled Assets Relief Program (TARP) in amount of $155,920 and $120,838 paid in 2010 and 2009, respectively. The Department of Financial Institution's approval is required prior to any dividends.

NOTE 11. EMPLOYEE BENEFIT PLANS

401 (k) Plan

The Bank has adopted a defined 401(k) Plan for the benefit of its employees in November 2006. Under the Plan, employees will be permitted to designate a certain percentage of their pre-tax wages to be deposited into their 401(k) account. The Bank will match a portion of every dollar contributed, up to the maximum permitted by law. Enrollment to the 401(k) Retirement program is at open enrollment and after 180 days of uninterrupted service with the Bank. The Board of Directors determines contributions to the Plan annually. The Bank's contribution to the Plan for 2010 and 2009 was $58,270 and $78,162, respectively.

Stock Option Plan

The Bank's 2006 Stock Option Plan was approved by its shareholders in November 2006. Under the terms of the 2006 Stock Option Plan, officers and key employees may be granted both nonqualified and incentive stock options. Directors and organizers, who are not also an officer or employee, may only be granted nonqualified stock options. The Plan provides 594,000 shares of common stock at a price not less than 100% of the fair market value of the stock on the date of grant. Stock options expire no later than ten years from the date of the grant and generally vest over 3 to 5 years. The Plan provides for accelerated vesting if there is a change of control as defined by the Plan. The Bank had no stock option granted in 2010 or 2009.

NOTE 11. EMPLOYEE BENEFIT PLANS, continued

Stock Option Plan, continued

A summary of the status of the Bank's stock option plan as of December 31, 2010 and 2009 and changes during the year ending is presented below:

	2010			Weighted-Average Remaining Contractual Term	Aggregated Intrinsic Value
	Option		Exercise Price		
Balance, beginning of period	414,850	$	9.94		
Granted	-		-		
Exercised	-		-		
Forfeited	(48,500)		9.63		
Balance, end of year	366,350	$	9.98	5.8 Years	$ -
Options exercisable	319,430	$	9.99	5.1 Years	$ -
Options available for granting	227,650				

	2009			Weighted-Average Remaining Contractual Term	Aggregated Intrinsic Value
	Option		Exercise Price		
Balance, beginning of period	419,850	$	9.94		
Granted	-		-		
Exercised	-		-		
Forfeited	(5,000)		10.00		
Balance, end of year	414,850	$	9.94	6.9 Years	$ -
Options exercisable	295,610	$	9.98	6.2 Years	$ -
Options available for granting	179,150				

As of December 31, 2010 and 2009, there was $78,673 and $322,011 of total unrecognized compensation cost related to the outstanding stock options that will be recognized over a weighted-average period of 0.9 years and 1.3 years respectively.

NOTE 12. RELATED PARTY TRANSACTIONS

As of December 31, 2010 and 2009, the Bank's balance sheet included deposits from executive officers and directors totaling $3,232,797 and $4,185,593, respectively, and loans to executive officers and directors, which are detailed below:

	2010	2009
Outstanding balance, beginning of year	$ 3,750,520	$ 5,235,486
Credit granted, including renewals	-	2,160,000
Repayments	404,688	3,644,966
Outstanding balance, end of year	$ 3,345,832	$ 3,750,520

In management's opinion, the terms and conditions associated with these arrangements are comparable to those of transactions with unaffiliated parties.

NOTE 13. FAIR MARKET VALUE

Fair Value Measurements, establishes a fair value hierarchy which requires an entity to maximize the use of observable input and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use pricing an asset and liability.

The fair value of impaired loans are generally measured for impairment using the practical expedients permitted by accounting standards including impaired loan measured at an observable market price (if available), or at the fair value of the loan's collateral (if the loan is collateral dependent). Fair value of the loan's collateral, when the loan dependent on collateral, is determined by appraisals or independent valuation, which is then adjusted for the cost related to liquidation of the collateral. These are considered Level 2 inputs. For the loan collateral for which observable market prices are not available, fair value is estimated using discount cash flow models. These are considered Level 3 inputs.

NOTE 13. FAIR MARKET VALUE, continued

The following tables provide a summary of the financial instruments the Bank measures at fair value on non-recurring basis as of December 31, 2010 and 2009

December 31, 2010	Level 1	Level 2	Level 3	Asset at Fair Value
Assets				
Impaired Loans	$ -	$ 2,745,839	$ 3,517,095	$ 6,262,934

December 31, 2009	Level 1	Level 2	Level 3	Asset at Fair Value
Asstes				
Impaired Loans	$ -	$ 4,699,989	$ -	$ 4,699,989

The estimated fair market value amounts have been determined by the Bank using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a current market exchange. The use of difference market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The fair value estimates are made at a discrete point in time based on relevant market data information about the financial instruments and other factors. The fair market value estimates have not been adjusted to reflect changes in market conditions for the period subsequent to the valuation dates of December 31, 2010 and 2009, therefore, estimates presented herein are not necessarily indicative of amounts which could be realized in a current transaction.

The following methods and assumptions were used to estimate the fair value market values of significant financial instruments at December 31, 2010 and 2009

Cash and Cash Equivalents – The carrying amount of cash and due from banks approximate their fair value

Interest Bearing Deposits Due form Bank – The carrying amount of short term interest bearing deposit approximates their fair value.

Federal Home Loan Bank stock –The carrying amount of FHLB stock approximates their fair value due to their redemptive provisions.

Loan held for sale –The carrying amount of loan held for sale approximates their fair value.

Loans – For variable rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carry values. The fair value of other loans (e.g., real estate commercial and installment loans) are using discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

NOTE 13. FAIR MARKET VALUE, continued

Loan servicing assets –The fair market value of loan servicing assets was based on discount cash flow calculation.

Accrued interest receivable –The carrying amount of accrued interest receivable approximates its fair value.

Deposits –The fair market value of demand deposits, savings deposits, and money market accounts were the amount payable on demand on December 31, 2010 and 2009. The fair market value of time deposits was based on the discounted value of contractual cash flows. The discount rate was estimated utilizing the rate currently offered for the deposits of similar remaining maturities.

Accrued interest payable –The carrying amount of accrued interest payable approximates its fair value.

Commitment to fund loans –The fair value of commitment to fund loans represents fees currently charged to entre into similar agreement with similar remaining maturities.

	December 31, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and Cash Equivalents	$ 12,296,037	$ 12,296,037	$ 8,398,665	$ 8,398,665
Interest-Bearing Deposits	3,832,000	3,832,000	16,799,000	16,799,000
FHLB Stock	423,000	423,000	422,900	422,900
Loans Held for Sale	1,896,829	1,896,829	225,000	225,000
Loans, Net	80,702,754	76,329,076	87,835,147	87,395,149
Loan Servicing Assets	148,154	388,777	193,051	394,657
Accrued Interest Receivable	309,590	309,590	379,384	379,384
Liabilities				
Noninterest-bearing deposits	9,233,637	9,233,637	14,040,050	14,040,050
Interest-bearing deposits	75,245,275	75,427,653	86,115,015	86,128,576
Accrued Interest Payable	181,422	181,422	563,513	563,513

	December 31, 2010		December 31, 2009	
	Notional Amount	Cost to Cede	Notional Amount	Cost to Cede
Off-balance Sheet Instruments:				
Commitment to extend credit and standby letter of credit	$ 6,985,313	$ 69,853	$ 2,571,624	$ 25,716

NOTE 13. ISSUANCE OF PREFERRED STOCK

On January 23, 2009, the Bank in connection with the TARP Capital Purchase Program, entered into a Purchase Agreement with the United State Department of Treasury (the Treasury), pursuant to which the Bank issued and sold 2,861 shares of the Bank's Preferred Stock as Fixed Rate Non-cumulative Perpetual Warrant Preferred Stock, Series A (Series A) and 143 shares of Fixed Rate Non-cumulative Perpetual Warrant Preferred Stock, Series B (Series B) for an aggregated purchase price of $2,861,000 in cash. The redemption of both Series A and Series B Preferred Stock is $3,004,000. The discount of $143,000 is being accreted against retained earnings over the estimated five year life of the Preferred Stock reducing the reported income available for common shareholders.

The Series A Preferred Stock qualifies as Tier 1 capital and pays non-cumulative dividends at a rate of five percent (5%) per annum for the first five years and nine percent (9%) per annum thereafter. Series A stock may be redeemed by the Bank after three years. Prior to the end of three years, Series A stock may be redeemed only with the proceeds from the sale of qualifying equity securities of the Bank. The Series B Preferred Stock may only be redeemed after all the Series A stock has been redeemed. For as long as any Preferred Stock is outstanding and held by the Treasury, no dividends may be declared on common shares.

In the purchase agreement, the Bank agreed that, until such time as the Treasury ceases to own any debt or equity securities of the Bank acquired pursuant to the Purchase Agreement, the Bank will take all necessary actions to ensure that its benefit plans, with respect to its senior executive officers, comply with Section 111(b) of the Emergency Economic Stabilization Act of 2008 (the EESA) as implemented by any guidance or regulation under the EESA that has been issued and is in effect as of the date of the issuance of the Preferred Stock and has agreed to not adopt any benefit plans with respect to, or which covers, its senior executive officers that do not comply with the EESA, and the applicable executives have consented to the foregoing.

This statement has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.

(This page has been left blank intentionally.)