

# McGladrey & Pullen

Certified Public Accountants

## Plaza Bank

### Financial Report

December 31, 2006

Plaza

Bank

**Financial**

**Report**

December 31

2006

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
**Plaza Bank**  
Seattle, Washington

We have audited the accompanying balance sheet of **Plaza Bank** as of December 31, 2006, and the related statements of income, shareholders' equity and cash flows for the period June 7, 2006 through December 31, 2006. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides 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 **Plaza Bank** as of December 31, 2006, and the results of its operations and its cash flows for the period June 7, 2006 through December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Seattle, Washington  
February 20, 2007

Financial  
Statements

## Balance Sheet

(Dollars in Thousands)

Plaza Bank  
December 31, 2006

### Assets

Cash and due from banks	\$ 1,629
Interest-bearing deposits in other financial institutions	164
Federal funds sold	6,825
<b>Cash and cash equivalents</b>	<b>8,618</b>
Securities available for sale	7,992
Loans	11,725
Allowance for credit losses	(75)
<b>Net loans</b>	<b>11,650</b>
Premises and equipment, net	1,419
Accrued interest receivable	137
Other assets	334
<b>Total assets</b>	<b>\$30,150</b>

### Liabilities and Shareholders' Equity

#### Liabilities

Deposits:	
Demand, non-interest-bearing	\$ 1,331
Savings and interest-bearing demand	4,963
Time	3,863
<b>Total deposits</b>	<b>10,157</b>
Accrued interest payable	26
Other liabilities	348
<b>Total liabilities</b>	<b>10,531</b>

#### Commitments and Contingencies

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#### Shareholders' Equity

Common stock (par value: \$1); authorized 10,000,000 shares; issued and outstanding: 2,200,000 shares	2,200
Additional paid-in capital	19,391
Accumulated deficit	(1,973)
Accumulated other comprehensive income	1
<b>Total shareholders' equity</b>	<b>19,619</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$30,150</b>

See notes to financial statements.

## Statement of Income

(Dollars in Thousands)

Plaza Bank

For the Period June 7, 2006 Through December 31, 2006

### Interest Income

Loans	\$ 155
Federal funds sold and deposits in other financial institutions	462
Securities available for sale	99
<b>Total interest income</b>	<b>716</b>

### Interest Expense

Deposits	110
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**Net interest income** **606**

### Provision for Credit Losses

75

**Net interest income after provision for credit losses** **531**

### Non-Interest Income

Service charges on deposit accounts	8
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### Non-Interest Expense

Salaries and employee benefits	965
Occupancy	263
Furniture and equipment	39
Data processing	208
Marketing and development	200
Other	159
<b>Total non-interest expense</b>	<b>1,834</b>

**Loss before preopening expenses** **(1,295)**

### Preopening Expenses

(678)

**Net loss** **(\$1,973)**

*See notes to financial statements.*

## Statement of Shareholders' Equity

(Dollars in Thousands)

Plaza Bank

For the Period June 7, 2006 Through December 31, 2006

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Comprehensive loss:						
Net loss	--	\$ --	\$ --	(\$1,973)	\$ --	(\$ 1,973)
Other comprehensive income:						
Change in fair value of securities available for sale	--	--	--	--	1	1
<b>Comprehensive loss</b>						<b>(1,972)</b>
Common stock issued, net of issuance costs	2,200,000	2,200	19,372	--	--	21,572
Stock-based compensation expense	--	--	19	--	--	19
<b>Balance at December 31, 2006</b>	<b>2,200,000</b>	<b>\$2,200</b>	<b>\$19,391</b>	<b>(\$1,973)</b>	<b>\$ 1</b>	<b>\$19,619</b>

See notes to financial statements.

## Statement of Cash Flows

(Dollars in Thousands)

Plaza Bank

For the Period June 7, 2006 Through December 31, 2006

### Cash Flows from Operating Activities

Net loss	(\$ 1,973)
Adjustments to reconcile net loss to net cash used in operating activities:	
Provision for credit losses	75
Depreciation and amortization	122
Stock-based compensation	19
Increase in accrued interest receivable	(137)
Increase in accrued interest payable	26
Investment (accretion) amortization - net	(5)
Deferral of loan origination costs and fees, less amortization	20
Other	66
<b>Net cash used in operating activities</b>	<b>(1,787)</b>

### Cash Flows from Investing Activities

Activity in securities available for sale:	
Purchases	(8,986)
Maturities, prepayments and calls	1,000
Increase in loans made to customers, net of principal collections	(11,745)
Purchases of premises and equipment	(1,593)
<b>Net cash used in investing activities</b>	<b>(21,324)</b>

### Cash Flows from Financing Activities

Net increase in deposits	10,157
Common stock issued	21,572
<b>Net cash provided by financing activities</b>	<b>31,729</b>

**Net increase in cash and cash equivalents** 8,618

### Cash and Cash Equivalents

Beginning of period	--
<b>End of period</b>	<b>\$ 8,618</b>

### Supplemental Disclosure of Cash Flow Information

Interest paid	\$84
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### Supplemental Disclosure of Non-Cash Investing Activities

Fair value adjustment of securities available for sale	\$1
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See notes to financial statements.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 1 - Summary of Significant Accounting Policies

#### Nature of Operations

Plaza Bank (the Bank) operates two branches: the main branch in downtown Seattle and a full service branch in Kent. The Bank provides loan and deposit services to customers, who are predominately small- and mid-sized businesses and middle-income individuals in western Washington.

#### Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and practices within the banking industry. 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 amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the balance sheet, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses and the valuation of deferred tax assets.

All dollar amounts are stated in thousands.

#### Securities Available for Sale

Securities available for sale consist of debt securities that the Bank intends to hold for an indefinite period but not necessarily to maturity. Such securities may be sold to implement the Bank's asset/liability management strategies and in response to changes in interest rates and similar factors. Securities available for sale are reported at fair value. Unrealized gains and losses are reported as a net amount in a separate component of shareholders' equity entitled "accumulated other comprehensive income." Realized gains and losses on securities available for sale, determined using the specific-identification method, are included in earnings. Amortization of premiums and accretion of discounts are recognized in interest income over the period to maturity.

#### Loans Receivable

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 principal balances and adjusted for any charge-offs, the allowance for credit losses, any deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method.

Because some loans may not be repaid in full, an allowance for credit losses is recorded. An allowance for credit losses is a valuation allowance for probable incurred credit losses. The allowance for credit losses is increased by a provision for credit losses charged to expense and decreased by charge-offs (net of recoveries). The allowance is based on ongoing, quarterly assessments of the probable and estimable losses inherent in the loan portfolio. The Bank's methodology for assessing the appropriateness of the allowance consists of several key elements, which include the formula allowance and specific allowances.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 1 - Summary of Significant Accounting Policies *(continued)*

#### Loans Receivable *(concluded)*

The formula portion of the general credit loss allowance is established by applying a loss percentage factor to the different loan types. The allowances are provided based on management's continuing evaluation of the pertinent factors underlying the quality of the loan portfolio, including changes in the size and composition of the loan portfolio, actual loan loss experience, current economic conditions, geographic concentrations, seasoning of the loan portfolio, specific industry conditions, and the duration of the current business cycle. The recovery of the carrying value of loans is susceptible to future market conditions beyond the Bank's control, which may result in losses or recoveries differing from those provided.

Specific allowances are established in cases where management has identified significant conditions or circumstances related to a loan that management believes indicate the probability that a loss has been incurred. Impaired loans consist of loans receivable that are not expected to be repaid in accordance with their contractual terms and are measured using the fair value of the collateral. Smaller balance loans are excluded from this analysis.

The ultimate recovery of all loans is susceptible to future market factors beyond the Bank's control. These factors may result in losses or recoveries differing significantly from those provided in the financial statements. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for credit losses and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

Interest income on loans is accrued over the term of the loans based upon the principal outstanding. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Past due status is based on contractual terms of loans. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower has the ability to make contractual interest and principal payments, in which case the loan is returned to accrual status.

#### Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation, which is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is less. Asset lives range from three to 10 years. Gains or losses on dispositions are reflected in earnings.

The assets are reviewed for impairment when events indicate their carrying value may not be recoverable. If management determines impairment exists, the asset is reduced with an offsetting charge to expense.

#### Deferred Rent and Lease Incentives

Rental payments under operating leases for branch locations are charged to expense on the straight-line basis after consideration of rent holidays, step rent provisions and escalation clauses. Differences between rental expense and actual rent payments are recorded as deferred rent and included in other liabilities on the accompanying balance sheet.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 1 - Summary of Significant Accounting Policies *(continued)*

#### Income Taxes

Deferred tax assets and liabilities result from differences between the financial statement carrying amounts and the tax bases of assets and liabilities, and are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. The deferred tax provision represents the difference between the net deferred tax asset/liability at the beginning and end of the year. Deferred tax assets are redeemed by a valuation allowance, when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

#### Cash Equivalents and Cash Flows

Cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and interest-bearing deposits in other financial institutions. Cash flows from loans and deposits are reported net.

#### Advertising

The Bank expenses advertising costs as incurred. Advertising expense for the period ended December 31, 2006, was \$31.

#### Stock-Based Compensation

The Bank has a stock-based compensation option plan and stock warrants, which are described more fully in Note 12. The Bank accounts for the stock option plan under the recognition and measurement principles of SFAS No. 123-R, *Share-Based Payment*, and the stock warrants under the recognition and measurement principles of EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*. SFAS 123-R requires the cash flows related to the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The Bank did not have excess tax benefits resulting from exercise of nonqualified stock options or from disqualifying dispositions of shares acquired upon exercise of incentive stock options for the period June 7, 2006 through December 31, 2006. For the period June 7, 2006 through December 31, 2006, the Bank recognized compensation expense of \$19 and a corresponding tax benefit of \$1. At December 31, 2006, compensation expense related to unvested stock options granted aggregated approximately \$266 and is expected to be recognized as follows:

	Stock-Based Compensation Expense
2007	\$ 57
2008	57
2009	57
2010	57
2011	38
<b>Total</b>	<b>\$266</b>

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 1 - Summary of Significant Accounting Policies *(concluded)*

#### Recent Accounting Pronouncements

In June 2006, FASB issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. This interpretation applies to all tax positions accounted for in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 clarifies the application of SFAS No. 109 by defining the criteria that an individual tax position must meet in order for the position to be recognized within the financial statements and provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition for tax positions. This interpretation is effective for fiscal years beginning after December 15, 2006, with earlier adoption permitted. The Bank does not expect the adoption of this interpretation will have a material impact on its financial position, results of operation and cash flows.

In March 2006, FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets*. SFAS No. 156 amends Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to require all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. SFAS No. 156 also permits servicers to subsequently measure each separate class of servicing assets and servicing liabilities at fair value rather than at the lower of cost or market. For those companies that elect to measure their servicing assets and liabilities at fair value, SFAS No. 156 requires the difference between the recorded value and fair value at the date of adoption to be recognized as a cumulative effect adjustment to retained earnings as of the beginning of the fiscal year in which the election is made. Management does not believe adoption of this statement will materially impact the Bank's financial statements.

In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. This statement does not require any new fair value measurements but rather provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. This statement is effective for fiscal years beginning after November 15, 2007, with earlier adoption permitted. The Bank does not expect that the adoption of this statement will have a material impact on its financial position, results of operation and cash flows.

#### Note 2 - Restricted Assets

The Bank is required to maintain a deposit with US Bank as collateral for a letter of credit. The amount of such balance for the period ended December 31, 2006, was approximately \$164.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 3 - Preopening Expenses

Expenses incurred for professional fees, salaries and benefits, and interest from initial organization through the Bank's opening day totaled \$733. During the period prior to opening, the Bank earned \$55 in interest income on stock subscription funds, which was netted against expenses, for net preopening expenses of \$678.

### Note 4 - Debt and Equity Securities

Debt and equity securities have been classified according to management's intent. The amortized cost of securities available for sale and their approximate fair value are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>December 31, 2006</b>				
U.S. government and agency securities	\$7,991	\$1	\$- -	\$7,992

Contractual maturities of debt securities available for sale at December 31, 2006, by contractual maturity, are as follows. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due from one year to five years	\$7,991	\$7,992

There were no realized gains or losses on sales of securities in 2006.

There were no pledged securities at December 31, 2006.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 5 - Loans

Loans at December 31, 2006, consist of the following:

Commercial	\$ 9,086
Real estate:	
Residential 1-4 family	236
Residential multifamily	2,409
Consumer	14
	<b>11,745</b>
Less net deferred loan origination costs	20
<b>Total loans</b>	<b>\$11,725</b>

Changes in the allowance for credit losses for the period June 7, 2006 through December 31, 2006, are as follows:

Balance at beginning of period	\$ - -
Provision for credit losses	75
<b>Balance at end of period</b>	<b>\$75</b>

At December 31, 2006, there were no impaired loans, loans 90 days and over past due still accruing interest or commitments to lend funds to borrowers whose loans have been modified.

### Note 6 - Premises and Equipment

Components of premises and equipment at December 31, 2006, are as follows:

Leasehold improvements	\$1,038
Furniture and equipment	492
	<b>1,530</b>
Less accumulated depreciation and amortization	111
<b>Premises and equipment, net</b>	<b>\$1,419</b>

The Bank leases its premises under operating leases. Rental expense of leased premises was \$165 for 2006, which is included in occupancy expense.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 6 - Premises and Equipment *(concluded)*

Minimum net rental commitments under noncancellable leases having an original or remaining term of more than one year for future years ending December 31 are as follows:

2007	\$ 349
2008	386
2009	397
2010	403
2011	411
Thereafter	1,630
<b>Total minimum payments required</b>	<b>\$3,576</b>

### Note 7 - Deposits

The composition of deposits at December 31, 2006, is as follows:

Demand deposits, non-interest-bearing	\$ 1,331
NOW and money market accounts	4,963
Time certificates, \$100,000 or more	2,082
Other time certificates	1,781
<b>Total deposits</b>	<b>\$10,157</b>

Scheduled maturities of certificates of deposit for the future year ending December 31, 2007 are \$3,863.

### Note 8 - Employee Benefits

The Bank has a 401(k) profit-sharing plan covering substantially all employees. Contributions to the 401(k) profit-sharing plan consist of a 3 percent non-elective contribution and profit-sharing contributions, which are at the discretion of its board of directors. Contributions by the Bank to this plan in 2006 totaled \$3.

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 9 - Income Taxes

The Bank has not provided for income taxes in 2006 as a result of the net loss incurred.

Tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2006, are:

#### Deferred Tax Assets

Cash basis accounting	\$ 39
Stock option expense	1
Organizational costs	222
Operating loss carryforward	459
<b>Total deferred tax assets</b>	<b>721</b>

#### Deferred Tax Liabilities

Allowance for credit losses	43
Accumulated depreciation	3
Deferred income	13
<b>Total deferred tax liabilities</b>	<b>59</b>

**Net deferred tax assets before valuation allowance** **662**

**Valuation Allowance** **(662)**

**Net deferred tax assets** **\$ - -**

At December 31, 2006, the Bank has a net operating loss carryforward totaling \$1,350, which expires in 2026 and may be applied against future taxable income.

### Note 10 - Commitments and Contingencies

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 include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized on the accompanying balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. A summary of the Bank's commitments at December 31, 2006, is as follows:

Commitments to extend credit **\$15,945**

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### **Note 10 - Commitments and Contingencies** *(concluded)*

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily 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 of the party. Collateral held varies, but may include accounts receivable, inventory, property and equipment, residential real estate, and income-producing commercial properties.

The Bank has agreements with commercial banks for lines of credit totaling \$5,000, none of which was used at December 31, 2006.

Because of the nature of its activities, the Bank is subject to various pending and threatened legal actions which may arise in the ordinary course of business. In the opinion of management, liabilities arising from these claims, if any, will not have a material effect on the financial position of the Bank.

### **Note 11 - Significant Concentrations of Credit Risk**

Most of the Bank's business activity is with customers located in the state of Washington. Loans are generally limited, by federal and state banking regulations, to 20 percent of the Bank's shareholders' equity, excluding accumulated other comprehensive income.

### **Note 12 - Stock Compensation Plans**

#### **Stock Warrants**

In 2006 the Bank granted organizing shareholders 102,500 warrants to purchase the Bank's common stock, at \$10.00 per share. Warrants have a ten-year contractual life and expire in 2016. No warrants have been exercised to date. Estimated remaining life would be 9.4 years.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 12 - Stock Compensation Plans *(continued)*

#### Stock Options

Under the Bank's stock option plan, the Bank may grant both incentive and non-qualified options for up to 440,000 shares of its common stock to certain key employees and directors. The exercise price of each option equals the fair market value of the Bank's stock on the date of grant, and an option's maximum term is ten years. Options vest ratably over the life of the option which is five years. The Bank has 260,000 options remaining to grant at December 31, 2006. The fair value of each option grant is estimated on the date of grant, based on the Black-Scholes option pricing model and using the following weighted-average assumptions for the period ending December 31, 2006:

Dividend yield	- %
Expected life	5.3 years
Risk-free interest rate	4.58%
Expected volatility	25%

There are no current plans to declare cash dividends in the near term; therefore, management assumed no dividend yield. The Bank elected to apply the simplified method prescribed under SFAS 123R to calculate the expected life of the options. The Bank utilized a five-year, risk-free yield rate for the interest rate utilized. Given the lack of historical data, the Bank selected a peer bank for the volatility calculation. The weighted-average fair value of options granted during 2006 was \$1.68.

The Black-Scholes model used by the Bank to calculate option values and other currently accepted option valuation models was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Bank's stock option awards. These models require highly subjective assumptions, including future stock price volatility and expected time to exercise, which greatly affect the calculated values. Accordingly, management believes the model the Bank uses does not necessarily provide a reliable single measure of the fair value of the Bank's option awards.

A summary of the status of the Bank's stock option plan and stock warrants as of December 31, 2006, and changes during the period June 7, 2006 through December 31, 2006, is presented below:

	Weighted- Average Shares	Aggregate Exercise Price	Intrinsic Value
Warrants issued	102,500	\$10.00	
Options granted	183,500	10.00	
Options forfeited	(3,500)	10.00	
<b>Outstanding at end of period</b>	<b>282,500</b>	<b>\$10.00</b>	<b>\$706</b>
<b>Vested or expected to vest at December 31, 2006</b>	<b>271,400</b>	<b>\$10.00</b>	<b>\$679</b>
<b>Exercisable at end of period</b>	<b>102,500</b>	<b>\$10.00</b>	<b>\$256</b>

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 12 - Stock Compensation Plans *(concluded)*

#### Stock Options *(concluded)*

A summary of changes in vested status for the period June 7, 2006 through December 31, 2006, is presented below:

	Options	Warrants	Total	Average Grant Date Fair Value
Unvested shares at beginning of period	--	--	--	
Granted	183,500	102,500	286,000	\$1.07
Forfeited	(3,500)	--	(3,500)	1.68
Vested	--	(102,500)	(102,500)	--
<b>Unvested shares at end of period</b>	<b>180,000</b>	<b>--</b>	<b>180,000</b>	<b>\$1.68</b>

The following summarizes information about stock options and stock warrants outstanding and exercisable at December 31, 2006:

Exercise Prices	Number Outstanding	Weighted- Average Remaining Contractual Life (Years)	Number Exercisable
\$10.00	102,500	9.4	102,500
10.00	180,000	9.6	--
	<b>282,500</b>		<b>102,500</b>

### Note 13 - Regulatory Matters

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 of the regulatory framework for prompt corrective action, the Bank must meet specific capital adequacy 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 classification is also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

*(continued)*

## Notes to Financial Statements

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Plaza Bank  
December 31, 2006

### Note 13 - Regulatory Matters *(concluded)*

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 Tier 1 capital (as defined in the regulations) to total average assets (as defined), and minimum ratios of Tier 1 and total capital (as defined) to risk-weighted assets (as defined).

As of December 31, 2006, the most recent notification from the Bank's regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are also presented in the table.

	Actual Amount	Ratio	Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
			Amount	Ratio	Amount	Ratio
<b>December 31, 2006</b>						
Tier 1 capital (to average assets)	\$19,616	67.67%	\$1,160	4.00%	\$1,449	5.00%
Tier 1 capital (to risk-weighted assets)	19,616	114.48	685	4.00	1,028	6.00
Total capital (to risk-weighted assets)	19,691	114.92	1,371	8.00	1,714	10.00

As a condition of obtaining FDIC insurance, the Bank must maintain 8 percent Tier 1 capital to risk-weighted assets for the first three years of operation.