Choice Bank

Oshkosh, Wisconsin

Financial Statements

Year Ended December 31, 2007
and Period Ended December 31, 2006

Choice Bank

Financial Statements
Year Ended December 31, 2007 and Period Ended December 31, 2006

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WIPFLi LLP

Report of Independent Registered Public Accounting Firm

Board of Directors
Choice Bank
Oshkosh, Wisconsin

We have audited the accompanying balance sheet of Choice Bank as of December 31, 2007, and the related statements of operations, stockholders' equity, and cash flows for the year then ended. 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 the standards for the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Choice Bank as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

March 17, 2008
Green Bay, Wisconsin

Clifton Gunderson LLP
Certified Public Accountants & Consultants

REISSUED
Independent Auditor's Report

Board of Directors and Stockholders
Choice Bank
Oshkosh, Wisconsin

We have audited the accompanying balance sheet of Choice Bank as of December 31, 2006, and the related statements of operations, changes in stockholders' equity, and cash flows for the period then ended. 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 Choice Bank as of December 31, 2006, and the results of its operations and its cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Madison, Wisconsin
March 16, 2007

Choice Bank

Balance Sheets

December 31, 2007 and 2006

Assets		2007		2006
Cash and due from banks	$	145,788	$	1,927,992
Federal funds sold		0		12,471,000
Cash and cash equivalents		145,788		14,398,992
Interest-bearing deposits in banks		2,380,000		988,000
Securities available for sale		5,871,378		9,209,274
Loans held for sale		1,359,699		0
Loans, net		59,341,998		5,933,705
Premises and equipment, net		1,883,905		1,922,200
Other assets		869,200		148,365
TOTAL ASSETS	$	71,851,968	$	32,600,536
Liabilities and Stockholders' Equity				
Liabilities:				
Non-interest-bearing deposits	$	3,406,544	$	734,439
Interest-bearing deposits		45,908,246		11,596,096
Total deposits		49,314,790		12,330,535
Federal funds purchased		3,019,000		0
Other liabilities		413,010		158,217
Total liabilities		52,746,800		12,488,752
Stockholders' equity:				
Common stock - $1 par value:				
Authorized - 3,177,000 shares				
Issued and outstanding - 2,160,570 shares and 2,160,170 shares at December 31, 2007 and 2006, respectively		2,160,570		2,160,170
Additional paid-in capital		20,316,763		20,206,460
Accumulated deficit		(3,423,165)		(2,267,465)
Accumulated other comprehensive income		51,000		12,619
Total stockholders' equity		19,105,168		20,111,784
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	71,851,968	$	32,600,536

See accompanying notes to financial statements.

Choice Bank

Statements of Operations

Year Ended December 31, 2007 and Period Ended December 31, 2006

	2007	2006
Interest and dividend income:		
Loans	$ 2,194,411	$ 86,284
Investment securities	588,082	206,397
Federal funds sold	216,473	263,214
Total interest and dividend income	2,998,966	555,895
Interest expense:		
Deposits	1,279,392	102,677
Borrowed funds	4,756	0
Total interest expense	1,284,148	102,677
Net interest income	1,714,818	453,218
Provision for loan losses	736,500	82,500
Net interest income after provision for loan losses	978,318	370,718
Noninterest income:		
Service fees	91,499	9,079
Secondary market fees	66,512	20,514
Total noninterest income	158,011	29,593
Noninterest expense:		
Salaries and employee benefits	1,296,039	469,969
Occupancy and equipment	358,076	118,003
Data processing	111,031	43,167
Marketing	123,168	43,602
Professional fees	160,595	87,093
Start-up expenses	0	1,838,658
Other	243,120	67,284
Total noninterest expense	2,292,029	2,667,776
Net loss	$ (1,155,700)	$ (2,267,465)
Net loss per share	$ (0.53)	$ (1.05)

See accompanying notes to financial statements.

Choice Bank

Statements of Stockholders' Equity

Year Ended December 31, 2007 and Period Ended December 31, 2006

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
Balance at July 24, 2006	2,160,000	$ 2,160,000	$ 19,337,646	$ 0	$ 0	$ 21,497,646
Comprehensive loss:						
Net loss				(2,267,465)		(2,267,465)
Unrealized gains on securities available for sale, net of taxes					12,619	12,619
Total comprehensive loss						(2,254,846)
Exercise of stockholder warrants	170	170	1,955			2,125
Options and warrants compensation expense			866,859			866,859
Balance at December 31, 2006	2,160,170	2,160,170	20,206,460	(2,267,465)	12,619	20,111,784
Comprehensive loss:						
Net loss				(1,155,700)		(1,155,700)
Unrealized gains on securities available for sale, net of taxes					38,381	38,381
Total comprehensive loss						(1,117,319)
Exercise of stockholder warrants	400	400	4,600			5,000
Options and warrants compensation expense			105,703			105,703
Balance at December 31, 2007	2,160,570	$ 2,160,570	$ 20,316,763	$ (3,423,165)	$ 51,000	$ 19,105,168

See accompanying notes to financial statements.

Choice Bank

Statements of Cash Flows

Year Ended December 31, 2007 and Period Ended December 31, 2006

	2007	2006
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net loss	$ (1,155,700)	$ (2,267,465)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of premises and equipment	137,551	38,744
Provision for loan losses	736,500	82,500
Compensation expense for options and warrants issued	105,703	866,859
Net amortization (accretion) of securities	180,295	(125,530)
Changes in operating assets and liabilities:		
Loans held for sale	(1,359,699)	0
Other assets	(720,835)	(148,365)
Other liabilities	227,793	151,717
Total adjustments	(692,692)	865,925
Net cash used in operating activities	(1,848,392)	(1,401,540)
Cash flows from investing activities:		
Change in interest-bearing deposits in banks	(1,392,000)	(988,000)
Purchase of securities available for sale	(44,626,868)	(31,064,625)
Proceeds from maturities and prepayments of securities available for sale	47,849,850	22,000,000
Loan originations and principal collections, net	(54,144,793)	(6,016,205)
Purchases of premises and equipment	(99,256)	(1,960,944)
Net cash used in investing activities	(52,413,067)	(18,029,774)

Choice Bank

Statements of Cash Flows (Continued)

Year Ended December 31, 2007 and Period Ended December 31, 2006

	2007	2006
Cash flows from financing activities:		
Net increase in deposits	$ 36,984,255	$ 12,330,535
Net increase in federal funds purchased	3,019,000	0
Proceeds from issuance of common stock	5,000	21,499,771
Net cash provided by financing activities	40,008,255	33,830,306
Net increase (decrease) in cash and cash equivalents	(14,253,204)	14,398,992
Cash and cash equivalents at beginning	14,398,992	0
Cash and cash equivalents at end	$ 145,788	$ 14,398,992

Supplemental cash flow information:

	2007	2006
Cash paid for interest	$ 1,047,650	$ 51,699

Note 1 Summary of Significant Accounting Policies

Organization

Choice Bank (the "Bank") is a full-service community-oriented commercial bank. The Bank offers a broad range of commercial and consumer banking services to local businesses, professionals, community service organizations, and individuals. The Bank commenced operations in July 2006. The Bank operates with two locations in Oshkosh, Wisconsin. The Bank is subject to the regulations of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

The Bank closed its initial offering of common stock on July 12, 2006, having sold 2,160,000 shares for $21,497,646, net of offering costs of $102,354. The Bank received approval to release proceeds from the stock offering held in escrow at Bankers' Bank of Georgia on July 20, 2006. The Bank issued the common shares on July 11, 2006, and commenced operations on July 24, 2006.

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

For purposes of reporting cash flows in the financial statements, cash and cash equivalents include cash on hand, interest-bearing and non-interest-bearing accounts in other financial institutions, and federal funds sold, all of which have original maturities of three months or less.

Interest-bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Note 1 Summary of Significant Accounting Policies (Continued)

Securities

Securities are classified as available for sale and are carried at fair value, with unrealized gains and losses reported in other comprehensive income or loss. Amortization of premiums and accretion of discounts are recognized in interest income using the interest method over the estimated lives of the securities.

Declines in fair value of securities that are deemed to be other than temporary, if applicable, are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers the length of time and the extent to which fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest on loans is accrued and credited to income based on the unpaid principal balance.

The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication the borrower may be unable to make payments as they become due. When loans are placed on nonaccrual or charged off, all unpaid accrued interest is reversed against interest income. The interest on these loans is subsequently accounted for on the cash basis until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Note 1 Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense as losses are estimated to have occurred. Loan losses are charged against the allowance when management believes that the collectibility of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the allowance for loan losses using the Bank's past loan loss experience, known and inherent risks in the portfolio, composition of the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, current economic conditions, and other relevant factors. This evaluation is inherently subjective since it requires material estimates that may be susceptible to significant change.

The allowance represents management's assessment of the risk associated with extending credit and its evaluation of the quality of the loan portfolio. Since the Bank has no history of loan performance, it has established the allowance at 1.35% of outstanding loan balances. As the Bank moves forward, other factors will be considered in maintaining the allowance.

The allowance for loan losses consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, or special mention and includes allowances estimated for impaired loans. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses and reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Note 1 Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

The allowance for loan losses includes specific allowances related to loans that have been judged to be impaired under current accounting standards. A loan is impaired when, based on current information, it is probable that the Bank will not collect all amounts due in accordance with the contractual terms of the loan agreement. Management determines whether a loan is impaired on a case-by-case basis, taking into consideration the payment status, collateral value, length and reason of any payment delays, the borrower's prior payment record, and any other relevant factors. Large groups of smaller balance homogeneous loans, such as residential mortgage and consumer loans, are collectively evaluated in the allowance for loan losses analysis and are not subject to impairment analysis unless such loans have been subject to a restructuring agreement. Specific allowances for impaired loans are based on discounted cash flows of expected future payments using the loan's initial effective interest rate or the fair value of the collateral if the loan is collateral dependent.

In addition, various regulatory agencies periodically review the allowance for loan losses. These agencies may require additions to the allowance for loan losses based on their judgments of collectibility.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Stock Compensation Plans

The Bank accounts for employee stock compensation plans using the fair value based method of accounting. Under this method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is also the vesting period.

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes

Deferred income tax assets and liabilities have been determined using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the current enacted tax rates which will be in effect when these differences are expected to reverse. Provision (credit) for deferred taxes is the result of changes in the deferred tax assets and liabilities. A deferred tax valuation allowance is established if it is more likely than not that all or a portion of the deferred tax assets will not be realized.

The Bank may also recognize a liability for unrecognized tax benefits from uncertain tax positions. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Interest and penalties related to unrecognized tax benefits are classified as income taxes.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments including commitments to extend credit and unfunded commitments under lines of credit. Such financial instruments are recorded in the financial statements when they become payable.

Other Comprehensive Loss

Other comprehensive loss is shown on the statements of stockholders' equity. The Bank's accumulated other comprehensive income is comprised of the unrealized gains on securities available for sale, net of tax, and is shown on the statements of stockholders' equity.

Loss per Share

Basic loss per share represents operating losses divided by the weighted average number of common shares outstanding during the period. Due to a weighted average strike price of potential common shares outstanding which is lower than the estimated market value of the Bank's common stock, anti-dilution would occur in calculating diluted earnings per share. As such, diluted earnings per share is not presented.

Note 1 Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes.*. This interpretation clarifies the accounting for uncertainty in income taxes recognized in a bank's financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Bank adopted FIN 48 effective January 1, 2007. The adoption of this interpretation did not have a significant effect on the financial statements of the Bank.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations.* This statement establishes principles and requirements for the acquirer in a business combination to recognize and measure identifiable assets acquired and liabilities assumed, to recognize and measure goodwill acquired or gain from a bargain purchase, and to determine what information to disclose in the financial statements. SFAS No. 141R is effective for business combinations for which the acquisition date determined in accordance with this statement is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Bank believes the adoption of this statement will not have a significant effect on the financial statements of the Bank.

Note 1 Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities.* This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Bank believes the adoption of this statement will not have a significant effect on the financial statements of the Bank.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Bank believes the adoption of this statement will not have a significant effect on the financial statements of the Bank.

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 classifications.

Note 2 Securities

The amortized cost and estimated fair value of securities with gross unrealized gains and losses at December 31 follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2007				
Securities available for sale:				
U.S. agency securities	$ 593,301	$ 22,827	$ 0	$ 616,128
Municipal bonds	3,071,239	61,828	2,783	3,130,284
Mortgage-related securities	2,122,338	3,598	970	2,124,966
Total securities available for sale	$ 5,786,878	$ 88,253	$ 3,753	$ 5,871,378
2006				
Securities available for sale:				
U.S. treasury TIP	$ 2,036,560	$ 0	$ 2,090	$ 2,034,470
U.S. agency securities	5,979,030	0	1,396	5,977,634
Municipal bonds	1,174,565	22,605	0	1,197,170
Total securities available for sale	$ 9,190,155	$ 22,605	$ 3,486	$ 9,209,274

Fair values of securities are estimated based on financial models or prices paid for similar securities. It is possible interest rates could change considerably resulting in a material change in the estimated fair value.

Note 2 Securities (Continued)

The following table shows the fair value and gross unrealized losses of securities with unrealized losses at December 31, 2007, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Municipal bonds	$ 487,217	$ 2,783	$ 0	$ 0	$ 487,217	$ 2,783
Mortgage-related securities	558,903	970	0	0	558,903	970
Totals	$ 1,046,120	$ 3,753	$ 0	$ 0	$ 1,046,120	$ 3,753

As of December 31, 2006, no securities were held for more than 12 months. Therefore, there were no investments which had been in a continuous loss position for more than 12 months.

At December 31, 2007, 2 debt securities have unrealized losses with aggregate depreciation of 0.4% from the Bank's amortized cost basis. These unrealized losses relate principally to the increase in interest rates and are not due to changes in the financial condition of the issuer. In analyzing an issuer's financial condition, management considers whether the securities are issued by a government body or agency, whether a rating agency has downgraded the securities, and industry analysts' reports. Since management has the ability to hold debt securities for the foreseeable future, no declines are deemed to be other than temporary.

Note 2 Securities (Continued)

The following is a summary of amortized cost and estimated fair value of debt securities by contractual maturity as of December 31, 2007. Contractual maturities will differ from expected maturities for mortgage-related securities because borrowers may have the right to call or prepay obligations without penalties.

	Available for Sale	
	Amortized Cost	Estimated Fair Value
Due after one year through five years	$ 1,409,026	$ 1,448,603
Due after five years through ten years	2,255,514	2,297,809
Subtotal	3,664,540	3,746,412
Mortgage-related securities	2,122,338	2,124,966
Total	$ 5,786,878	$ 5,871,378

There were no sales of securities in 2007 and 2006.

Note 3 Loans

The composition of loans at December 31 is as follows:

	2007	2006
Commercial	$ 15,057,847	$ 468,661
Real estate:		
Commercial	22,165,144	2,999,848
Residential	10,938,461	1,544,248
Construction	5,904,839	180,126
Second mortgages	3,012,963	477,574
Equity lines of credit	1,574,728	202,928
Consumer	1,507,016	142,820
Subtotals	60,160,998	6,016,205
Allowance for loan losses	(819,000)	(82,500)
Loans, net	$ 59,341,998	$ 5,933,705

An analysis of the allowance for loan losses for the year ended December 31, 2007 and the period ended December 31, 2006, follows:

	2007	2006
Balance at beginning	$ 82,500	$ 0
Provision for loan losses	736,500	82,500
Balance at end	$ 819,000	$ 82,500

There were no nonaccrual or impaired loans in the portfolio at December 31, 2007 or 2006, nor were there at any time during the period.

Note 3 Loans (Continued)

Directors, executive officers, and principal stockholders of the Bank, including their families and firms in which they are principal owners, are considered to be related parties. Substantially all loans to these related parties were made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectibility or present other unfavorable features.

A summary of loans to directors, executive officers, and principal stockholders, and their affiliates as of December 31 is as follows:

	2007	2006
Balance at beginning	$ 1,706,209	$ 0
New loans	10,867,021	1,727,305
Repayments	(412,627)	(21,096)
Balance at end	$ 12,160,603	$ 1,706,209
Unfunded lines of credit (not included above)	$ 2,192,906	$ 1,799,142

Note 4 Premises and Equipment

An analysis of premises and equipment at December 31 follows:

	2007	2006
Land	$ 285,000	$ 285,000
Buildings	1,084,782	1,042,808
Furniture and equipment	461,677	413,355
Computer equipment	228,741	219,781
Subtotals	2,060,200	1,960,944
Less - Accumulated depreciation and amortization	176,295	38,744
Premises and equipment, net	$ 1,883,905	$ 1,922,200

Depreciation of premises and equipment charged to operating expense totaled $137,551 and $38,744 in 2007 and 2006, respectively.

The Bank leases a branch facility under a ten-year noncancelable operating lease expiring in 2017 with options to renew for additional years at the expiration of the initial lease. The Bank also pays for real estate taxes, insurance, and maintenance under this net lease. The Bank also leases equipment under a two-year lease. Rent expense under these leases was $65,568 and $4,044 for 2007 and 2006, respectively.

Future minimum rental payments under noncancelable lease terms as of December 31, 2007, are as follows:

2008	$ 61,524
2009	49,392
2010	49,392
2011	49,392
2012	49,392
Thereafter	197,568
Total	$ 456,660

Note 5 Deposits

Time deposits of $100,000 or more totaled $10,336,892 and $2,100,000 at December 31, 2007 and 2006, respectively.

The scheduled maturities of time deposits at December 31, 2007, are summarized as follows:

2008	$	23,946,484
2009		2,398,410
2010		1,406,278
Thereafter		539,606
Total	$	28,290,778

Deposits from directors, executive officers, principal stockholders, and their affiliates totaled approximately $1,814,000 and $1,800,000 as of December 31, 2007 and 2006, respectively.

Note 6 Federal Funds Purchased

The Bank has a federal funds line of credit with its main correspondent institution up to $8,000,000. Federal funds purchased generally mature within one to four days from the transaction date. Federal funds purchased were $3,019,000 as of December 31, 2007. The interest rate at December 31, 2007, was 4.60%.

Note 7 Income Taxes

SFAS No. 109, *Accounting for Income Taxes*, establishes the basic principles for accounting for income taxes. SFAS No. 109 requires that deferred tax assets be analyzed to determine if a valuation allowance needs to be established. A valuation allowance must be recorded "if it is more likely than not that some portion of the deferred tax asset will not be realized." Since the Bank is not yet profitable, a valuation allowance has been established. Once the Bank becomes profitable, the valuation allowance will be reversed if it will be more likely than not the deferred tax asset will be realized.

Note 7 Income Taxes (Continued)

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Bank's assets and liabilities. The major components of the net deferred tax liability as of December 31 are presented below:

	2007	2006
Deferred tax assets:		
Allowance for loan losses	$ 247,000	$ 32,500
Net operating loss	388,000	146,500
Organization and start-up expenses	347,000	374,000
Total deferred tax assets	982,000	553,000
Deferred tax liabilities:		
Unrealized gain on securities available for sale	(33,500)	(6,500)
Other	(45,000)	0
Total deferred tax liabilities	(78,500)	(6,500)
Valuation allowance	(937,000)	(553,000)
Net deferred tax liability	$ (33,500)	$ (6,500)

The Bank has a net operating loss carryforward totaling approximately $990,000 that may be applied against future federal and state taxable income and begin to expire on December 31, 2026, for federal purposes and December 31, 2021, for Wisconsin purposes.

Note 8 Stockholders' Equity and Regulatory Matters

The declaration and payment of cash dividends by the Bank to stockholders is restricted by certain statutory and regulatory limitations. These limitations state that the Bank may not declare or pay a dividend if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of the Bank's net income during the current calendar year and the retained net income of the prior two calendar years. Prior written regulatory approval must be obtained to make an exception. There were no cash dividends paid to stockholders by the Bank in 2007 or 2006.

The Bank is subject to various regulatory capital requirements administered by federal and state 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 assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The 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 to risk-weighted assets, and of Tier I capital to average assets. It is management's opinion, as of December 31, 2007, that the Bank meets all applicable capital adequacy requirements.

Note 8 Stockholders' Equity and Regulatory Matters (Continued)

As of December 31, 2007, the most recent notification from the Federal Deposit Insurance Corporation 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 I risk-based, and Tier I 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.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In Thousands)			
2007						
Total capital (to risk-weighted assets)	$ 19,122	32.3 %	≥ $ 4,743	≥ 8.0 %	≥ $ 5,929	≥ 10.0 %
Tier I capital (to risk-weighted assets)	$ 19,071	32.2 %	≥ $ 2,371	≥ 4.0 %	≥ $ 3,557	≥ 6.0 %
Tier I capital (to average assets)	$ 19,071	29.5 %	≥ $ 2,587	≥ 4.0 %	≥ $ 3,233	≥ 5.0 %
2006						
Total capital (to risk-weighted assets)	$ 21,168	179.2 %	≥ $ 945	≥ 8.0 %	≥ $ 1,181	≥ 10.0 %
Tier I capital (to risk-weighted assets)	$ 20,099	170.2 %	≥ $ 472	≥ 4.0 %	≥ $ 709	≥ 6.0 %
Tier I capital (to average assets)	$ 20,099	70.6 %	≥ $ 1,139	≥ 4.0 %	≥ $ 1,424	≥ 5.0 %

Note 9 Commitments, Contingencies, and Credit Risk

Financial Instruments With Off-Balance-Sheet Credit Risk

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

The Bank's exposure to credit loss is represented by the contractual, or notional, amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Since some of the commitments are expected to expire without being drawn upon and some of the commitments may not be drawn upon to the total extent of the commitment, the notional amount of these commitments does not necessarily represent future cash requirements.

The following commitments were outstanding at December 31:

	Notional Amount	
	2007	2006
Commitments to extend credit	$ 3,900,000	$ 11,400,000
Unfunded commitments under lines of credit	6,934,692	4,283,359

Commitments to extend credit are agreements to lend to a customer at fixed or variable rates as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, home equity lines of credit, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit may or may not require collateral and may or may not contain a specific maturity date. Commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitments do not necessarily represent future cash requirements.

Note 9 Commitments, Contingencies, and Credit Risk (Continued)

Legal Contingencies

Various legal claims arise from time to time in the normal course of business. In the opinion of management, any liability resulting from such proceedings would not have a material impact on the financial statements.

Note 10 Employee Benefit Plan

The Bank sponsors a 401(k) profit sharing plan covering substantially all employees. Employees are allowed to make voluntary contributions to the plan up to 15% of their compensation, subject to limits imposed by federal tax laws. Due to regulatory restrictions, the Bank is not allowed to make any matching contributions until profitable.

Note 11 Stock Compensation Plan

Under the stock incentive plan, the Bank may grant options to its directors, officers, and employees for up to 360,000 shares of common stock. The plan requires that options granted qualify as incentive options. The exercise price equals the market value of the Bank's stock at the grant date. The vesting period ranges from one to three years, and the maximum term is ten years. Compensation cost relates to share-based payment transactions being recognized in the financial statements with measurement based on the fair value of the equity instrument at time of grant. For the periods ended December 31, 2007 and 2006, the Bank recognized $105,703 and $13,996, respectively, in compensation expense for stock options.

Note 11 Stock Compensation Plan (Continued)

Following is a summary of stock option transactions for the year ended December 31, 2007:

	Number of Options	Weighted Average Price	Weighted Average Remaining Contractual Term
Outstanding at beginning of year	60,000	$ 10.00	
Granted during the year	0	0.00	
Outstanding at end of year	60,000	$ 10.00	8.67
Exercisable at end of year	20,000	$ 10.00	

The intrinsic value of options outstanding at the end of the year is $30,000.

Information pertaining to options outstanding at December 31, 2007, is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Amount
$ 10.00	60,000	1.5 yrs	$ 10.00	20,000	$ 200,000

As of December 31, 2007, the Bank has 40,000 in nonvested shares. At the Bank's inception date, 60,000 were issued, and 20,000 were vested in 2007.

As of December 31, 2007, there was total unrecognized compensation costs of $119,700 related to nonvested share-based compensation arrangements, which is expected to be recognized over a weighted average period of two years.

Note 11 Stock Compensation Plan (Continued)

The fair value of each option granted is estimated on the grant date using the Black-Scholes methodology. The following assumptions were used in estimating the fair value for options granted in 2007:

Risk-free interest rate	5%
Weighted average expected life (years)	10
Expected volatility	10%
Dividend yield	0%

Note 12 Warrants

In the initial stock offering, all stockholders were granted one warrant for every 5 shares of common stock purchased. The warrants allow the holder to purchase an additional share of stock at $12.50 per share. They are exercisable at any time, and expire three years after the date of the Bank opening.

Warrants issued	431,995
Exercised	(570)
Remaining balance	431,425

The 19 Bank organizers, now directors, assumed substantial financial risk by investing funds and guaranteeing loans to fund the charter application process and capital campaign. Each received 11,250 warrants to purchase shares of Bank stock at $10 per share. The warrants are exercisable immediately, and expire after ten years. A total of 213,750 organizer warrants were issued. None have been exercised as of December 31, 2007 and 2006.

Note 12 Warrants (Continued)

The Bank valued the organizer warrants as of the grant date using the Black-Scholes option pricing model and determined the cost to be $852,862, net of income tax effect. This amount is recorded as part of the Bank's start-up expenses. The assumptions were as follows:

Dividend yield	0%
Risk-free interest rate	5%
Weighted average expected life (years)	10
Expected volatility	10%

Both types of warrants are transferable.

Note 13 Loss per Share

Calculation of loss per share:

	2007	2006
Net loss	$ 1,155,700	$ 2,267,465
Average shares outstanding	2,160,542	2,160,084
Basic loss per share	$ (0.53)	$ (1.05)

Note 14 Fair Value of Financial Instruments

The following methods and assumptions were used by the Bank to estimate fair value of financial instruments.

Cash and cash equivalents - Fair value approximates the carrying value.

Interest-bearing deposits in banks - Fair value approximates the carrying value.

Securities - Fair value is based on quoted market prices where available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans held for sale - Fair value is based on commitments on hand from investors or prevailing market prices.

Note 14 Fair Value of Financial Instruments (Continued)

Loans - Fair value of variable rate loans that reprice frequently are based on carrying values. Fair value of other loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings. Fair value of impaired and other nonperforming loans are estimated using discounted expected future cash flows or the fair value of underlying collateral, if applicable.

Accrued interest receivable and payable - Fair value approximates the carrying value.

Deposits - Fair value of deposits with no stated maturity, such as demand deposits, savings, and money market accounts, by definition, is the amount payable on demand on the reporting date. Fair value of fixed rate time deposits is estimated using discounted cash flows applying interest rates currently being offered on similar time deposits.

Federal funds purchased - Fair value of borrowings with variable rates or maturing within 90 days approximates the carrying value of these borrowings.

The carrying value and estimated fair value of financial instruments at December 31, 2007, follows:

	Carrying Value	Estimated Fair Value
Financial assets:		
Cash and cash equivalents	$ 145,788	$ 145,788
Interest-bearing deposits in banks	2,380,000	2,380,000
Securities available for sale	5,871,378	5,871,378
Loans held for sale	1,359,699	1,359,699
Loans, net	59,341,998	60,319,173
Accrued interest receivable	306,209	306,209
Total financial assets	$ 69,405,072	$ 70,382,247
Financial liabilities:		
Deposits	$ 49,314,790	$ 49,428,100
Federal funds purchased	3,019,000	3,019,000
Accrued interest payable	287,478	287,478
Total financial liabilities	$ 52,621,268	$ 52,734,578

Note 14 Fair Value of Financial Instruments (Continued)

Limitations - The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Consequently, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Bank.

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular instrument. Because no market exists for a significant portion of the Bank's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters that could affect the estimates. Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Deposits with no stated maturities are defined as having a fair value equivalent to the amount payable on demand. This prohibits adjusting fair value derived from retaining those deposits for an expected future period of time. This component, commonly referred to as a deposit base intangible, is neither considered in the above amounts nor is it recorded as an intangible asset on the balance sheet. Significant assets and liabilities that are not considered financial assets and liabilities include premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.