

April 28, 2010

Dear Shareholders,

As you review the enclosed first quarter 2010 financial report, I believe what you will see is a work in progress. While the banks overall level of non performing assets (NPA's) is still too high, this is the second quarter in a row that the bank has reported a decline in NPA's. NPA's declined from 17.58% of total assets on December 31, 2009 to 13.74% of assets on March 31, 2010.

The cost of dealing with these assets is reflected in the Other Expense category of the income statement and as you can see by the increase in this category it is a significant cost. The one positive thing I can say about these costs are they will go away as we move these assets off our books through collection and sales of real estate owned.

It is a pleasure to report that even with these high workout expenses we earned a modest profit for the first quarter of 2010. This is our first profitable quarter since the summer of 2008, which was just before the start of the financial meltdown in September of 2008.

Our estimated capital ratios for the end of the first quarter are 8.1% for Tier 1 capital and 11.28% for Risk Based Capital. In the past these ratios would have been considered good but our consent agreement requires us to increase our Tier 1 capital to 10%. As such, we are now actively engaged in a capital campaign directed to accredited investors and all present shareholders who meet the accredited investor criteria. If you do not know if you are an "accredited" investor, please call Collin Madden at 206-902-7638 or email at [collinmadden@earthlink.net](mailto:collinmadden@earthlink.net) and he will discuss the Securities and Exchange Commission criteria with you. The criteria are based on either net worth or annual income. We would like to see as many of our present shareholders as possible take advantage of this opportunity.

As you can see from the balance sheet the bank has completed the transformation from a liability based liquidity bank to an asset based liquidity bank. The bank reached the agreed upon goal of 15% liquidity at the end of first quarter of 2010.

The accomplishments with our work in progress are the result of the hard work of our dedicated staff, whose efforts made the above results possible. Many thanks to them and to you our shareholders, for your continued support.

Respectfully,

Gary Schmitt  
CEO/ President