

**UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION**

Washington, D.C. 20329-9900

FORM 10-KSB

(Mark One)

Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2007

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

FDIC Certificate No.: 58072

USA BANK

(Name of small business issuer in its charter)

New York

(State or other jurisdiction of incorporation or
organization)

200646362

(IRS Employer
Identification No.)

601 North Main Street, Port Chester, New York

(Address of principal executive offices)

10573

(Zip Code)

(Issuer's telephone number)

(914) 939-3700

Securities registered under Section 12(b) of the Exchange Act:

None

(Title of class)

Securities registered under to Section 12(g) of the Exchange Act:

Common Stock, par value \$2.00

(Title of class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

The issuer's revenues for its most recent fiscal year were: \$10,382,719.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the closing price of \$3.00 per share, was \$16,085,754 as of March 14, 2008.

At March 14, 2008, the registrant had outstanding 5,750,000 shares of Common Stock, par value \$2.00.

DOCUMENTS INCORPORATED BY REFERENCE

Incorporated into Part III of this Form 10-KSB.

Proxy Statement for 2008 Annual Meeting of Stockholders. (A definitive proxy statement will be filed with the Federal Deposit Insurance Corporation within 120 days after the close of the fiscal year covered by this Form 10-KSB.)

Transitional Small Business Disclosure Format (check one):

Yes [] No [X]

USA BANK
2007 Form 10-KSB Annual Report
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PART I

ITEM 1. Business

General

USA Bank (“USA Bank” or the “Bank”) is a New York chartered commercial bank that opened for business in December 2005 upon receipt of its Authorization Certificate from the State of New York Banking Department (“NY Banking Department”) and insurance for its deposits by the Federal Deposit Insurance Corporation (the “FDIC”). The Bank is headquartered in Port Chester, New York, and offers traditional commercial banking deposit services to residents from its “primary market area” of Port Chester, Rye, and Rye Brook, New York, and also expects to attract customers from adjacent towns of Greenwich and Stamford, Connecticut. The Bank also expects to attract loan customers from its Primary Market Area and from other towns in upper Westchester County, NY, and lower Fairfield County, CT.

On December 21, 2005, the Bank completed the initial sale of its common stock. On December 22, 2005, the Bank received its Authorization Certificate from the NY Banking Department to operate as a commercial bank, obtained insurance from the FDIC and commenced business operations on December 23, 2005.

On June 30, 2006, the Bank sold an aggregate of 3,416,666 shares of its Common Stock at \$6.00 per share for an aggregate selling price of \$20,499,996 in cash. Stock issuance costs aggregated \$1,586,710 (including financial advisory fees and selling commissions aggregating \$1,174,756) resulting in net proceeds of \$18,913,286, which were applied to augment the Bank’s capital.

The Bank’s overall strategy is to provide highly personal, customized and responsive service in the delivery of banking services to businesses and individuals located in the Primary Market Area. In November 2007, the Bank relocated its main branch facility from 211 Irving Avenue, Port Chester, NY to 601 North Main Street, Port Chester, NY. The Bank also leases additional space in Rye Brook, NY, for general administrative and executive office purposes.

At December 31, 2007, the Bank had assets of \$169.5 million and shareholders’ equity of \$22.3 million. USA Bank delivers banking services to individuals, families and businesses throughout its market areas, which include Westchester County, NY, and southern Fairfield County, CT. USA Bank provides commercial banking, retail banking, consumer financing and mortgage banking services. Its website is (www.usa-bank-online.com). On October 18, 2006, USA Bank’s common stock began trading on the Over-the-Counter Bulletin Board under the symbol “USBK.”

Employees

At December 31, 2007, USA Bank had 47 full-time-equivalent employees. None of the employees was represented by a collective bargaining group. USA Bank maintains a comprehensive employee benefit program providing, among other benefits, a 401(k) investment plan, group medical and dental insurance, as well as life and disability insurance. Management considers relations with its employees to be good.

Competition

The Bank is subject to strong competition from banks and other financial institutions, including savings and loan associations, finance companies, credit unions, consumer finance companies and insurance companies. Certain of these competitors are larger financial institutions with substantially greater resources, lending limits, larger branch systems and a wider array of commercial banking services than USA Bank. Competition from both bank and non-bank organizations is expected to continue.

The banking industry is also experiencing rapid changes in technology. In addition to improving customer services, effective use of technology increases efficiency and enables financial institutions to reduce costs. Technological advances are likely to increase competition by enabling more companies to provide cost effective products and services.

USA Bank faces substantial competition for deposits and loans throughout its market areas. The primary factors in competing for deposits are interest rates, personalized service, the quality and range of banking services, convenience of office locations, automated services and office hours. Competition for deposits comes primarily from other commercial banks, savings institutions, credit unions, mutual funds and other investment alternatives. The primary factors in competing for loans are interest rates, loan origination fees, the quality and range of lending services and personalized service. Competition for origination of first mortgage loans comes primarily from other commercial banks, savings institutions, mortgage banking firms and mortgage brokers.

Supervision and Regulation

The Bank operates in a highly regulated environment, and its business activities are governed by federal and state statutes, regulations and administrative policies. The following is a brief summary of certain statutes, rules and regulations which affect the Bank. This summary is qualified in its entirety by reference to the particular statutory and regulatory provisions referred to below and is not intended to be an exhaustive description of the statutes or regulations which are applicable to the business of the Bank.

General

The primary purpose of the U.S. system of bank supervision is to ensure the safety and soundness of banks in order to protect depositors, the FDIC insurance fund and the financial system generally. It is not primarily intended to protect the interest of shareholders. Thus, if we were to violate banking laws and regulations, including engaging in unsafe or unsound practices, we could be subject to enforcement actions and other sanctions that could be detrimental to shareholders. See also, "Supervisory Action."

Because we are organized under the laws of the State of New York and our deposits are insured by the FDIC, we are supervised, regulated and periodically examined by the NY Banking Department and the FDIC. The Bank's operations are subject generally to state and federal statutes and regulations applicable to FDIC-insured state-chartered banks. Such statutes and regulations relate to required reserves, investments, loans, mergers and consolidations, issuances of securities, payment of dividends, establishment of branches and other aspects of a bank's operations.

The Bank's business is also influenced by prevailing economic conditions and governmental policies, both foreign and domestic, and by the monetary and fiscal policies of the Federal Reserve Board. The Federal Reserve Board's actions and policy directives determine to a significant degree the cost and availability of funds the Bank will obtain from money market sources for lending and investing. These actions and policy directives also influence, directly and indirectly, the rates of interest paid on time and savings deposits and the rates charged on loans.

Supervisory Action

On October 22, 2007, the NY Banking Department and the Federal Deposit Insurance Corporations issued, with the consent of the Bank, Cease and Desist Orders applicable to the Bank. The Orders, which are substantially identical, were issued as a result of findings made during the regulators' examination of the Bank conducted as of the close of business on September 30, 2006. None of the findings or the terms of the Orders affect or address the Bank's ability to meet its financial obligations, including the timely payment of customer deposits or the funding of loan commitments nor do the Orders affect FDIC insurance of the Bank's deposits.

The Orders require the Bank to refrain from certain practices and to take affirmative action to correct identified deficiencies and weaknesses in its operations. The full text of the Orders can be viewed on the FDIC website and the NY Banking Department website at www.fdic.gov and <http://www.banking.state.ny.us>, respectively. A summary of the terms and conditions of the Orders follows.

The Orders prohibit the Bank from operating with inadequate management supervision and Board of Directors oversight, inadequately trained and supervised staff and inadequate audit, compliance and information technology and security policies, processes and procedures, and without a current, comprehensive business and strategic plan and budget. They also prohibit violations of the Bank Secrecy Act and various consumer protection statutes.

The Orders require the Bank to adopt a number of policies and procedures designed to strengthen and improve its operations, and to assess and report to the regulators within specified time frames, regarding several aspects of its operations. The Orders require the Bank to engage qualified professionals acceptable to the regulators to prepare or assist with the preparation of some of the required reports. The Orders direct the Bank to prepare and submit the following reports and other materials:

- A Management Report assessing the Bank's management and staffing needs, performance, competence and responsibilities, and recommending staff training and Board of Directors and senior management recruitment and retention plans and a plan to respond to the recommendations contained in the Management Plan.
- A Corporate Governance Review and report by an independent third party assessing the Bank's corporate governance process, including compliance with the corporate governance provisions of the Sarbanes-Oxley Act of 2002;

- An Expense Report detailing and assessing the propriety of fees and expenses paid to the Bank's insiders and a plan for the Bank to seek reimbursement of payments to insiders determined to have been inappropriate;
- A Strategic Plan for at least the next three years, including detailed financial and market assumptions, goals, strategies and policies, and a mission statement;
- A Profit Plan, including plans to improve the Bank's operating performance, as gauged by specific metrics, and a comprehensive budget;
- An effective corporate information security policy;
- A Disaster Recovery/Business Continuity Plan and a test of such Plan;
- A Compliance Management System, including consumer protection compliance monitoring, testing and training procedures, a Compliance Training Program and appointment of qualified compliance officer;
- An Audit Program providing for implementation, monitoring and testing of internal audit controls and procedures, consumer protection compliance, information security and anti-money laundering compliance;
- Quarterly Progress Reports on compliance with the Orders.

The Orders further require the Bank to take the following Affirmative actions:

(i) increased, informed Board of Directors participation and oversight, including the adoption of good corporate record-keeping and reporting practices; (ii) correction of legal and regulatory violations; (iii) implementation of recommended Bank Secrecy Act policies and procedures; (iv) implementation of an effective information security policy and a disaster recovery/business continuity plan; and (v) establishment of a Compliance Committee of the Board of Directors.

Since September 30, 2006 (the date as of which the examination was conducted), the Bank has taken steps that address a number of the issues covered by the Orders and will continue to address these issues. Actions already taken include the election of Ronald J. Gentile, whose experience includes 19 years with the FDIC and service as chief executive officer of a bank facing similar issues, as President and Chief Executive Officer and a director, the hiring of a chief compliance officer with more than five years of experience, the election of additional independent directors, the retention of Fin Pro, Inc. to assist in the revision of the Bank's strategic plan and to review fees and expenses paid to the Bank's insiders, the retention of George Roman of Strategic Solutions, Inc. and James E. Devaney (each of whom has substantial relevant regulatory experience) to review the Bank's loan function and the implementation of procedures to comply with the Sarbanes-Oxley Act. The Management Report, the Corporate Governance Review, a revised Strategic Plan and budget have been submitted to the FDIC and the NY Banking Department for review. The Bank has also updated and revised its Disaster Recovery/Business Continuity Plan and tested such Plan. The Bank has introduced enhanced training programs for its directors, officers and employees.

In the third quarter of 2007, the Board of Directors established a Compliance Committee with the responsibility of overseeing the actions taken by the Bank that are required by the Orders. The Compliance Committee, which meets monthly, is composed of four directors (including three independent directors), the Bank's Compliance Officer and two independent advisors. The Bank believes that it has timely complied with the provisions of the Orders that have required action to-date.

Payment of dividends

Statutory and regulatory limitations apply to the Bank's payment of dividends to its shareholders. If, in the opinion of the NY Banking Department, the Bank engages in, or is about to engage in, an unsafe or unsound practice, the NY Banking Department could require, after notice and a hearing, that the Bank cease and desist from the practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Further, a depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized.

The prior approval of the NY Banking Department is required if the total of all dividends declared by a New York bank in any calendar year exceeds the bank's net profits, as defined, for that year combined with its retained net profits for the preceding two calendar years. The payment of dividends by the Bank may also be affected by other factors, such as the requirement to maintain adequate capital above regulatory guidelines.

Under a policy of the FDIC applicable to newly established institutions, during the first three years of operation, we will pay cash dividends only from net operating income and will not pay dividends until an appropriate allowance for loan and lease losses has been established and overall capital is adequate.

The Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 ("*Sarbanes-Oxley*") implements a broad range of corporate governance and accounting measures for public companies (including publicly-held banks) designed to promote honesty and transparency in corporate America. Sarbanes-Oxley's principal provisions, many of which have been interpreted through regulations, provide for and include, among other things: (i) the creation of an independent public company accounting oversight board; (ii) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (iii) additional corporate governance and responsibility measures, including a requirement that the chief executive officer and chief financial officer of a public company provide certifications relating to disclosure controls and procedures and internal control over financial reporting; (iv) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any consolidated financial statements that later require restatement; (v) an increase in the oversight of, and enhancement of certain requirements relating to, audit committees of public companies and how they interact with the company's independent auditors; (vi) requirements that audit committee members must be independent and are barred from accepting consulting, advisory or other compensatory fees from the issuer; (vii) requirements that companies disclose whether at least one member of the audit committee is an "audit committee financial expert" (as such term is

