

**UNITED STATES
FEDERAL DEPOSIT INSURANCE CORPORATION**

WASHINGTON, D.C. 20329-9900

FORM 10-QSB

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

For the quarterly period ended March 31, 2006

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

(Exact name of small business issuer as specified in its charter)

New York

(State or other jurisdiction if incorporation or organization)

20-0646362

(I.R.S. Employer Identification No.)

211 Irving Avenue, Port Chester, New York 10573

(Address of principal executive offices)

(914) 939-3700

(Issuer's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

As of August 10, 2006, 5,750,000 shares of the Issuer's common stock, \$2.00 par value, were issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

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PART I

Item 1. Financial Statements

USA BANK

BALANCE SHEETS

March 31, 2006 (unaudited) and December 31, 2005

	March 31, 2006	December 31, 2005
ASSETS		
Cash and due from banks	\$ 550,789	\$ 200,433
Federal funds sold	20,300,000	15,600,000
Cash and cash equivalents	<u>20,850,789</u>	<u>15,800,433</u>
Loans secured by real estate	5,634,229	-
Consumer loans	317,921	-
Deferred loan costs	87,066	-
Total loans and deferred loan costs	<u>6,039,216</u>	<u>-</u>
Allowance for loan losses	<u>(54,000)</u>	<u>-</u>
Loans, net	<u>5,985,216</u>	<u>-</u>
Leasehold improvements and equipment, net	560,276	417,396
Prepaid expenses	211,823	213,440
Accrued interest receivable	23,518	3,430
Other assets	583,315	194,673
Total assets	<u><u>\$ 28,214,937</u></u>	<u><u>\$ 16,629,372</u></u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits		
Noninterest bearing deposits	\$ 2,981,391	\$ 20,143
Interest bearing deposits	11,614,497	1,929,418
Total deposits	<u>14,595,888</u>	<u>1,949,561</u>
Advances from organizers	1,953,006	1,953,006
Accrued expenses and other liabilities	261,487	532,633
Total liabilities	<u>16,810,381</u>	<u>4,435,200</u>
Commitments and Contingencies	-	-
Stockholders' Equity		
Common stock, par value \$2; 2,333,334 shares authorized, issued and outstanding	4,666,668	4,666,668
Additional paid-in capital, net of stock issuance costs	9,036,820	9,036,820
Accumulated Deficit	<u>(2,298,932)</u>	<u>(1,509,316)</u>
Total stockholders' equity	<u>11,404,556</u>	<u>12,194,172</u>
Total liabilities and stockholders' equity	<u><u>\$ 28,214,937</u></u>	<u><u>\$ 16,629,372</u></u>

See Accompanying Notes to Financial Statements

USA Bank

STATEMENTS OF OPERATIONS

For the Three Months Ended March 31, 2006 and 2005 (unaudited)

	Three Months Ended	
	March 31, 2006	March 31, 2005
Interest Income		
Interest on Federal funds sold	\$ 211,783	\$ -
Interest on loans	36,791	-
Other interest income	-	1,907
Total interest income	<u>248,574</u>	<u>1,907</u>
Interest Expense		
Interest expense on deposits	67,742	-
Total interest expense	<u>67,742</u>	<u>-</u>
Net interest income	180,832	1,907
Provision for loan losses	54,000	-
Net interest income after the provision for loan losses	<u>126,832</u>	<u>1,907</u>
Noninterest Income		
Service charges	3,267	-
Total noninterest income	<u>3,267</u>	<u>-</u>
Noninterest Expense		
Salaries and employee benefits	548,602	-
Occupancy and equipment	75,569	11,380
Professional fees	29,525	27,500
Legal	29,765	7,756
Contract services	13,068	3,489
Printing, stationery and supplies	21,886	7,192
Advertising	75,000	-
Data and item processing	71,865	-
Other	54,435	190
Total noninterest expense	<u>919,715</u>	<u>57,507</u>
Net loss	<u>\$ (789,616)</u>	<u>\$ (55,600)</u>
Basic and diluted loss per share	<u>\$ (0.34)</u>	<u>NA</u>

See Accompanying Notes to Financial Statements

USA BANK

STATEMENTS OF SHAREHOLDERS' EQUITY

For the Three Months Ended March 31, 2006 and 2005 (unaudited)

	Number of Shares	Common Stock	Additional Paid in Capital Net of Stock Issuance Costs	Accumulated Deficit	Total
Balance, January 1, 2005	-	\$ -	\$ -	\$ (196,997)	\$ (196,997)
Comprehensive loss:					
Net loss	-	-	-	(55,600)	(55,600)
Total comprehensive loss					<u>(55,600)</u>
Balance, March 31, 2005	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (252,597)</u>	<u>\$ (252,597)</u>
Balance, January 1, 2006	2,333,334	\$4,666,668	\$ 9,036,820	\$ (1,509,316)	\$ 12,194,172
Comprehensive loss:					
Net loss				(789,616)	(789,616)
Total comprehensive loss					<u>(789,616)</u>
Balance, March 31, 2006	<u>2,333,334</u>	<u>\$4,666,668</u>	<u>\$ 9,036,820</u>	<u>\$ (2,298,932)</u>	<u>\$ 11,404,556</u>

See Accompanying Notes to Financial Statements

USA BANK

STATEMENTS OF CASH FLOW

For the Three Months Ended March 31, 2006 and 2005 (unaudited)

	Three Months Ended	
	March 31, 2006	March 31, 2005
Cash Flows from Operations		
Net loss	\$ (789,616)	\$ (55,600)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	45,166	-
Provision for loan losses	54,000	-
Changes in assets and liabilities:		
Increase in deferred loan costs	(87,066)	-
Decrease (increase) in prepaid expenses	1,617	(102,948)
Increase in accrued interest receivable	(20,088)	-
Increase in other assets	(388,642)	(600)
Decrease in accrued expenses and other liabilities	(271,146)	(7,500)
Net cash used in operating activities	<u>(1,455,775)</u>	<u>(166,648)</u>
Cash Flows from Investing Activities		
Net increase in loans receivable	(5,952,150)	-
Purchase of leasehold improvements and equipment	(188,046)	(48,508)
Net cash used in investing activities	<u>(6,140,196)</u>	<u>(48,508)</u>
Cash Flows from Financing Activities		
Net increase in time deposits	891,759	-
Net increase in other deposits	11,754,568	
Increases in advances from organizers	-	90,000
Net cash provided by financing activities	<u>12,646,327</u>	<u>90,000</u>
Net increase (decrease) in cash and cash equivalents	5,050,356	(125,156)
Cash and cash equivalents		
Beginning	15,800,433	600,134
Ending	<u>\$ 20,850,789</u>	<u>\$ 474,978</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for:		
Interest	<u>\$ 66,603</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

USA Bank
Notes to Financial Statements
(Unaudited)

Note 1. Nature of Operations

USA Bank (the “Bank”) is a State of New York chartered commercial bank whose deposits are insured by the Federal Deposit Insurance Corporation. The Bank offers traditional commercial banking services to customers through its main office in Port Chester, NY.

Formation of the Bank and development stage activities

On September 30, 2004, the Bank submitted an application fee to the State of New York Banking Department and commenced the development stage activities needed to form a bank. Prior to this date, certain costs were incurred by organizers on behalf of the Bank, which are included in operations. On February 5, 2005, the Bank submitted its Certificate of Merit to the State of New York Banking Department and its Organization Certificate was approved and filed by the State of New York Banking Department on August 17, 2005.

On December 21, 2005, the Bank completed the sale of its common stock. On December 22, 2005, the Bank received its Authorization Certificate from the State of New York Banking Department to operate as a commercial bank and obtained insurance from the Federal Deposit Insurance Corporation (the “FDIC”) and commenced business operations.

From January 2004 to December 2005, the Bank was primarily involved with organizational activities, raising capital and satisfying other conditions precedent to receiving final regulatory approval.

Prior to December 23, 2005, the Bank was a development stage enterprise. The Bank’s activities as a development stage enterprise consisted primarily of organizing a state chartered commercial bank, planning its operations and selling its common stock.

Note 2. Basis of Financial Statement Presentation

The balance sheet at December 31, 2005 has been derived from the audited financial statements of the Bank at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The accompanying unaudited financial statements as of and for the three months ended March 31, 2006 and 2005 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying financial statements and notes thereto should be read in conjunction with the audited financial statements of the Bank and notes thereto as of December 31, 2005.

The accompanying unaudited financial information reflects, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the interim reports presented. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of operations that may be expected for all of 2006.

Summary of Significant Accounting Policies

Loans receivable

Loans receivable are stated at their current unpaid principal balances, net of the allowance for loan losses and net deferred loan origination fees and costs. The Bank has the ability and intent to hold its loans receivable for the foreseeable future or until maturity or payoff.

Impaired loans, if any, are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral, if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are recorded as adjustments to the allowance for loan losses. A loan is impaired when it is probable the Bank will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement.

A loan is classified as a restructured loan when certain concessions have been made to the original contractual terms, such as a reduction in interest rate or deferral of interest or principal payments, due to the borrower's financial condition.

Management considers all nonaccrual loans, other loans past due 90 days or more, and restructured loans to be impaired. In most cases, loan payments that are past due less than 90 days, based on contractual terms, are considered minor collection delays, and the related loans are not considered to be impaired.

Allowance for loan losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loans are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price if the loan is collateral dependent) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component may be maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Interest and fees on loans

Interest on loans is accrued and included in operating income based on contractual rates applied to principal amounts outstanding. The accrual of interest income is discontinued whenever reasonable doubt exists as to its collectibility and generally is discontinued when loans are past due 90 days, based on contractual terms, as to either principal or interest, or are otherwise considered impaired. When the accrual of interest income is discontinued, all previously accrued and uncollected interest is reversed against interest income. The accrual of interest on loans past due 90 days or more may be continued if the loan is well secured, and it is believed all principal and accrued interest income due on the loan will be realized, and the loan is in the process of collection. A nonaccrual loan is restored to an accrual status when it is no longer delinquent and collectibility of interest and principal is no longer in doubt.

Loan origination fees, net of direct loan origination costs, are deferred and amortized as an adjustment of the loan's yield generally over the contractual life of the loan, utilizing the interest method.

Impairment of long-lived assets

Long-lived assets, including premises and equipment, which are held and used by the Bank, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Basic and diluted earnings (loss) per share

Basic earnings per share (“EPS”) excludes dilution and is calculated by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted EPS is computed in a manner similar to that of basic EPS except that the weighted-average number of common shares outstanding is increased to include the number of incremental common shares (computed using the treasury stock method) that would have been outstanding if all potentially dilutive common shares (such as stock options and unvested restricted stock) were issued during the period. As of and for the three months ended March 31, 2006, there were no potentially dilutive common shares outstanding.

Note 3. Deposits

At March 31, 2006 and December 31, 2005, deposits consisted of the following:

	March 31, 2006	December 31, 2005
Non interest bearing	<u>\$ 2,981,391</u>	<u>\$ 20,143</u>
Interest bearing deposits		
NOW and money market	997,576	658,791
Savings	9,725,162	1,270,627
Time Certificates under \$100,000	139,759	-
Time Certificates of \$100,000 or more	752,000	-
	<u>11,614,497</u>	<u>1,929,418</u>
Total	<u>11,614,497</u>	<u>1,929,418</u>
Total deposits	<u><u>\$ 14,595,888</u></u>	<u><u>\$ 1,949,561</u></u>

Note 4. Income Taxes

A reconciliation of the anticipated income tax benefit (computed by applying the statutory Federal income tax rate (34%) to the loss before income taxes) to the amount reported on the statement of operations for the three months ended March 31, 2006 (unaudited) is not presented since the only significant reconciling item is the change in the valuation allowance to adjust the deferred tax asset to \$ - 0 -, which is the amount considered by management more likely than not to be realized as of March 31, 2006. At March 31, 2006, the Bank had a net operating loss carryforward of approximately \$2.3 million, expiring at various dates through 2026.

Note 5. Loss per Share

The Bank's loss per share for the three months ended March 31, 2006 was calculated by dividing the loss for the period by the weighted average shares outstanding. No loss per share was calculated for the three months ended March 31, 2005 as no shares were outstanding in 2005 until the Bank commenced operations on December 23, 2005. The calculation of the loss per share for the three months ended March 31, 2006 appears below:

	Three Months Ended March 31, 2006
Net Loss	\$ (789,616)
Weighted Average Shares	2,333,334
Basic and diluted loss per share	<u>\$ (0.34)</u>

Note 6. Related Party Transactions

In the normal course of business, the Bank may grant loans to executive officers, directors and members of their immediate families, as defined, and to entities in which these individuals have more than a 10% equity ownership. Such loans are transacted at terms including interest rates, substantially the same as those available to unrelated customers. The aggregate dollar amount of advances to related parties was \$1,060,951 and \$41,250 at March 31, 2006 and December 31, 2005, respectively.

Related party deposits aggregated approximately \$1,936,083 and \$589,499 as of March 31, 2006 and December 31, 2005, respectively.

Note 7. Financial Instruments with Off-Balance Sheet Risk

In the normal course of business the Bank issues commitments to extend credit in the future. These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the financial statements.

The contractual amounts of these commitments involving credit risk are as follows at March 31, 2006 (unaudited) and December 31, 2005:

	March 31, 2006	December 31, 2005
Future loan commitments	\$ 8,966,500	\$ 479,106
Unused lines of credit	4,288,713	-
	<hr/>	<hr/>
Total	\$ 13,255,213	\$ 479,106
	<hr/> <hr/>	<hr/> <hr/>

The Bank uses the same credit policies and procedures in making commitments and conditional obligations as it does for on-balance-sheet instruments and evaluates each customers' creditworthiness on a case by case basis.

Commitments to extend credit are predicated upon the continued creditworthiness of the borrower, satisfactory documentation, and the absence of any violation of any condition established in the loan commitment. Commitments to extend credit generally have fixed expiration dates or other termination clauses and may require payment of a fee by the borrower. Since these commitments could expire without being drawn upon, the total commitment amounts do not necessarily represent cash requirements.

Standby letters of credit are written commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit are an unfunded obligation of the Bank and the credit risk involved in issuing these instruments is essentially the same as that involved in extending loan facilities to customers. As of March 31, 2006 and December 31, 2005 the Bank did not issue any standby letters of credit.

Note 8. Subsequent Event

On June 30, 2006, the Bank sold an aggregate of 3,416,666 shares of its Common Stock at \$6.00 per share resulting in aggregate proceeds of \$20,499,996. Stock issuance costs aggregated \$1,504,146 (including financial advisory fees and selling commissions aggregating \$1,174,756) resulting in net proceeds of \$18,995,850 which were applied to augment the Bank's capital.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to assist you in understanding the financial condition and results of operations of the Bank. This discussion should be read in conjunction with the accompanying unaudited financial statements as of and for the three months ended March 31, 2006 and 2005, along with the audited financial statements as of and for the year ended December 31, 2005, included in the Bank's Annual Report.

Summary

As of March 31, 2006 the Bank had \$28.2 million in total assets, \$20.9 million in cash and cash equivalents, \$6.0 million in loans, net of the allowance for loan losses, and \$14.6 million in deposits. Total equity capital at March 31, 2006 was \$11.4 million, representing a Tier 1 Leverage Capital Ratio of 47.31%. Net interest income and net interest margin for the three months ended March 31, 2006 was \$127,000 and 3.32%, respectively. The Bank had a net loss of \$790,000 (or \$0.34 per share) for the three months ended March 31, 2006 compared to a loss of \$56,000 while in organization for the three months ended March 31, 2005.

The results of operations for the three months ended March 31, 2006 reflect the first full quarter of the Bank's operation and therefore the early stages of gathering deposits and approving loans. The Bank's management also committed substantial resources during the first quarter of 2006 in raising additional capital – see Subsequent Event footnote. During the three months ended March 31, 2005 the Bank's activities focused on preparing the Bank's regulatory application and there were no staff or expenses of a branch facility during that period.

Critical Accounting Policy

In the ordinary course of business, the Bank has made a number of estimates and assumptions relating to reporting results of operations and financial condition in preparing its financial statements in conformity with accounting principals generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. The Bank's management believes the following discussion addresses the Bank's only critical accounting policy, which is the policy that is most important to the portrayal of the Bank's financial condition and results and requires management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Bank's management has reviewed this critical accounting policy and the resulting estimate with its audit committee. Refer to the discussion below under "Allowance for Loan Losses."

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loans are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based on management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

While the Bank has no classified or impaired loans at March 31, 2006, it is expected that the Bank's ongoing allowance for loan losses analysis will result in an allowance for loan losses that consists of specific, general and unallocated components. The specific component relates to loans that are classified loss, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component may be maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Based upon this evaluation, management believes the allowance for loan losses of \$54,000 or 0.9% of gross loans at March 31, 2006 is adequate, under prevailing economic conditions, to absorb losses on existing loans. At December 31, 2005 there were no loans as the Bank had just commenced operations.

Recent Accounting Changes

There were no recent accounting changes that impacted the Bank's procedures during the three months ended March 31, 2006.

Comparison of Financial Condition as of March 31, 2006 versus December 31, 2005

General

The Bank's total assets were \$28.2 million at March 31, 2006, an increase of \$11.6 million (70%) from \$16.6 million as of December 31, 2005. Earning assets as of March 31, 2006 were \$26.3 million, an increase of \$10.7 million (69%) from \$15.6 million at December 31, 2005.

Federal funds sold

The balance in Federal funds sold reached \$20.3 million at March 31, 2006, which is an increase of \$4.7 million over the \$15.6 million balance at December 31, 2005. As Federal funds sold are invested overnight this liquidity has provided a source of income as well as funding for loans or longer term investments in keeping with the guidelines established by the Bank's Asset and Liability Management Committee.

Loans

Loans, net of the allowance for loan losses, reached \$6.0 million as of March 31, 2006. No portfolio loans were reported as of December 31, 2005. The loan portfolio consisted primarily of home equity lines of credit of \$4.2 million and variable rate mortgages of \$1.5 million. The ratio of loans to deposits as of March 31, 2006 was 41% as the Bank advances towards its targeted loan to deposit ratio of 80% to 90%.

Allowance for Loan Losses and Non-Accrual, Past Due and Restructured Loans

The Bank is required to provide for loan losses based on various factors. The allowance for loan losses consists solely of the current year provision of \$54,000 as calculated for the first three months of 2006. The Bank has not experienced any past due, non-accrual or problem loans during its first full quarter of operations.

Deposits

Deposits were \$14.6 million at March 31, 2006, an increase of \$12.7 million (668%) from the \$1.9 million in deposits at December 31, 2005. Noninterest bearing deposits were \$3.0 million at March 31, 2006 substantially all of which were raised during the first quarter of 2006. Interest bearing deposits were \$11.6 million at March 31, 2006, an increase of \$9.7 million (511%) from \$1.9 million as of December 31, 2005. The growth in savings accounts of \$8.4 million during the first quarter of 2006 was the primary cause of the overall increase in interest bearing deposits.

Results of Operations

The Bank experienced a net loss of \$790,000 for the three months ended March 31, 2006 versus a net loss of \$55,600 for the three months ended March 31, 2005. The results for the three months ended March 31, 2006 include a full staffing complement to operate a one branch bank as compared to the three months ended March 31, 2005 when the Bank was in organization prior to opening on December 23, 2005.

Net interest income

The Bank's net interest income is dependent primarily upon the difference or spread between the average yield earned on loans and securities and the average rate paid on deposits and borrowings as well as the relative amounts of such interest earning assets and interest bearing liabilities. As the Bank just began its operations in December of 2005 after raising \$14.0 million in capital before stock issuance costs, the spread between Federal funds sold and its capital base, which has no interest expense component, also contributes significantly to interest income. The Bank, like other banking institutions, is subject to interest rate risk to the degree that its interest bearing liabilities reprice at different times than its interest bearing assets.

Average Balances, Yields and Rates

The following table presents average balance sheets (daily averages), interest income, interest expense, and the corresponding annualized rates on earning assets and rates paid on interest bearing liabilities for the three months ended March 31, 2006. No similar schedule is presented as of March 31, 2005 as the Bank was in organization and therefore was not able to gather deposits or make loans.

Distribution of Assets, Liabilities and Shareholders' Equity: Interest Rates and Interest Differential

	Average Balance	Interest	Average Rate
Interest earning assets			
Loans (1)	\$ 2,353,929	\$ 36,791	6.25%
Federal funds sold	19,448,889	211,783	4.36%
Total interest earning assets	<u>21,802,818</u>	<u>248,574</u>	<u>4.56%</u>
Cash and due from banks	1,238,472		
Premises and equipment, net	435,964		
Allowance for loan losses	(9,633)		
Other	598,668		
Total assets	<u>\$ 24,066,289</u>		
Interest bearing liabilities			
Savings deposits	6,608,993	61,642	3.73%
Money market and NOW	812,321	4,588	2.26%
Time deposits	107,000	1,512	5.65%
Total interest bearing liabilities	<u>7,528,314</u>	<u>67,742</u>	<u>3.59%</u>
Non-interest bearing deposits	2,282,808		
Accrued expenses and other liabilities	2,331,388		
Shareholders' equity	11,923,779		
Total liabilities and equity	<u>\$ 24,066,289</u>		
Net interest income		<u>\$ 180,832</u>	
Interest spread			<u>0.97%</u>
Interest margin			<u>3.32%</u>

(1) There were no nonaccruing loans during the three months ended March 31, 2006.

Changes in Assets and Liabilities and Fluctuations in Interest Rate

As the Bank was in organization and had no loans, investments or interest bearing liabilities during the three months ended March 31, 2005, the change in interest for the three months ended March 31, 2006 as compared to the three months ended March 31, 2005 was primarily due to increased volume. Net interest income was \$180,832 and \$1,907 for the three months ended March 31, 2006 and March 31, 2005, respectively.

Provision for Loan Losses

The provision for loan losses for the three months ended March 31, 2006 was \$54,000 which represents the amount considered necessary by management to maintain an adequate allowance for loan losses based on managements' analysis of loan risk ratings and other factors. There was no provision for loan losses for the three months ended March 31, 2005, as the Bank was in organization and did not have any loans receivable at that time.

Noninterest income

Noninterest income was \$3,000 primarily from deposit charges during the first three months of 2006 as compared to no noninterest income for the three months ended March 31, 2005, a period prior to the Bank's beginning operations.

Noninterest expense

Total noninterest expense was approximately \$920,000 for the three months ended March 31, 2006 versus approximately \$58,000 for the same period in 2005, an increase of \$862,000. The cause of the increase relates to the fact of the Bank's opening on December 23, 2005 as compared to the Bank being in organization during the first three months of 2005. Increases in staff expense and occupancy and equipment expense were the primary causes of the overall increase. Staff expense was approximately \$549,000 for the three months ended March 31, 2006, reflecting twenty four and one half full time equivalent employees, which compares to no staff expense during the first three months of 2005. Occupancy was approximately \$75,600 for the first three months of 2006, an increase of approximately \$64,000 over the \$11,400 incurred during the first three months of 2005. The primary components of the occupancy and equipment expense increase were rent at \$27,000, depreciation of furniture, equipment and amortization of leasehold improvements of \$18,000 and branch security of \$11,000. Advertising and data processing were \$75,000 and approximately \$72,000, respectively, for the first three months in 2006, with no similar expenditures incurred during the first three months of 2005.

Return on Average Equity and Average Assets

The return on average equity reflecting losses for the three months ended March 31, 2006 was (26.5)%. For the three months ended March 31, 2005 the return on average equity reflecting losses was (98.9) %.

The return on average assets reflecting losses for the three months ended March 31, 2006 was (13.1)%. For the three months ended March 31, 2005 the return on average assets reflecting losses was (35.8) %.

Liquidity

The liquidity ratio is defined as the percentage of liquid assets to total assets. The following categories of assets in the accompanying balance sheet are considered liquid assets: cash and due from banks and federal funds sold. Liquidity is a measure of the Bank's ability to generate adequate cash to meet financial obligations. The principal cash requirements of a financial institution are to cover downward fluctuations in deposits and increases in its loan portfolio.

Management believes that the Bank's short term assets provide excess liquidity with liquid assets of approximately \$20.9 million (73.9% of total assets) at March 31, 2006 and \$15.8 million (95.0% of total assets) at December 31, 2005. The Bank is in the process of approving and booking loans as well as establishing an investment portfolio to enable it to secure municipal deposits. The relatively flat yield curve in this increasing rate environment provided little incentive to develop the investment portfolio during the first quarter of 2006. As the Bank generates municipal deposits, it will develop its investment portfolio in order to be able to pledge these assets to secure the municipal deposits as required by regulation. The existing excess liquidity will also be used to fund new loans in the coming months and meet potential fluctuations in deposits. As the Bank begins to fund loans at higher rates than liquid assets and develops its investment portfolio, the liquidity ratio will be reduced to a targeted level of approximately 10% of total assets.

Capital

The following table illustrates the Bank's regulatory capital ratios at the dates indicated:

	March 31, 2006		December 31, 2005	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Tier 1 (Leverage) Capital to Average Assets	\$ 11,404	47.31%	\$ 12,194	308.08%
Tier 1 Capital to Risk-Weighted Assets	\$ 11,404	119.31%	\$ 12,194	308.08%
Total Capital to Risk-Weighted Assets	\$ 11,458	119.88%	\$ 12,194	1,064.05%

Capital adequacy is one of the most important factors used to determine the safety and soundness of individual banks. Based on the above ratios, the Bank is considered to be "well capitalized" under applicable regulations. To be considered "well capitalized" an institution must generally have a leverage capital ratio of at least 5%, a Tier 1 risk-based capital ratio of at least 6% and a total risk-based ratio of at least 10%.

The Bank raised \$14.0 million in capital before stock issuance costs in December 2005 and raised an additional \$20.5 million before stock issuance costs in the second quarter of 2006 – see Subsequent Events footnote.

Market Risk

Market risk is defined as the sensitivity of income to fluctuations in interest rates, foreign exchange rates, equity prices, commodity prices and other market-driven rates or prices. Based on the nature of the Bank's business, market risk is primarily limited to interest rate risk, defined as the impact of changing interest rates on current and future earnings.

The Bank's goal is to maximize long-term profitability, while minimizing its exposure to interest rate fluctuations. The first priority is to structure and price the Bank's assets and liabilities to maintain an acceptable interest rate spread, while reducing the net effect of changes in interest rates. In order to reach an acceptable interest rate spread, the Bank must generate loans and seek acceptable long-term investments to replace lower yielding balances in Federal funds sold. The focus also must be on maintaining a proper balance between the timing and volume of assets and liabilities re-pricing within the balance sheet. One method of achieving this balance is to originate variable rate loans for the portfolio to offset the short-term re-pricing of the liabilities. In fact, a number of interest bearing deposit products have no contractual maturity. Customers may withdraw funds from their accounts at any time and deposit balances may therefore run off unexpectedly due to changing market conditions.

The exposure to interest rate risk is monitored by the Bank's Senior Management and is reported to the Bank's Asset and Liability Management Committee on a quarterly basis. Management reviews the interrelationships within the balance sheet to maximize net interest income within acceptable levels of risk.

Impact of Inflation and Changing Prices

The Bank's financial statements have been prepared in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. Unlike most individual companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effect of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. Notwithstanding this fact, inflation can directly affect the value of loan collateral, in particular, real estate. Inflation, or disinflation, could significantly affect the Bank's earnings in future periods.

“Safe Harbor” Statement Under Private Securities Litigation Reform Act of 1995

Some of the statements under “Management's Discussion and Analysis of Financial Condition and Results of Operations,” “Business” and elsewhere in this Report on Form 10-QSB may include forward-looking statements which reflect our current views with respect to future events and financial performance. Statements which include the words “expect,” “intend,” “plan,” “believe,” “project,” “anticipate” and similar statements of future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ

materially from those indicated in these statements or that could adversely affect the holders of our common stock. These factors include, but are not limited to, (1) changes in prevailing interest rates which would affect the interest earned on the Bank's interest earning assets and interest paid on its interest bearing liabilities, (2) the timing of re-pricing of the Bank's interest earning assets and interest bearing liabilities, (3) the effect of changes in governmental monetary policy, (4) the effect of changes in regulations applicable to the Bank and the conduct of its business, (5) changes in competition among financial service companies, including possible further encroachment of non-banks on services traditionally provided by banks and the impact of recently enacted federal legislation, (6) the ability of competitors which are larger than the Bank to provide products and services which are impractical for the Bank to provide, (7) the effect of the loss of any executive officer, key personnel, or directors, (8) the effect of the Bank's opening branches and the receipt of regulatory approval to complete such actions, (9) concentration of the Bank's business in its market area, (10) the concentration of the Bank's loan portfolio in commercial loans to small-to- medium sized businesses, which may be affected more severely than larger businesses during periods of economic weaknesses and (11) the lack of seasoning in the Bank's loan portfolio, which may increase risk for future credit defaults.

Although the Bank believes that it offers the loan and deposit products and has the resources needed for success, future revenues and interest spreads and yields cannot be reliably predicted. These trends may cause the Bank to adjust its operations in the future. Because of the foregoing and other factors, recent results should not be considered reliable indicators of future financial results.

Item 3. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Bank's disclosure controls have been effective according to the Bank's Chief Executive Officer and its Chief Financial Officer based upon an evaluation of the Bank's recently formulated disclosure controls and procedures.

As used herein, "disclosure controls and procedures mean controls and other procedures of the Bank that are designed to ensure that information, required to be disclosed by the Bank in the reports that it files or submits under the Securities Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Bank in the reports that it files or submits under the Securities and Exchange Act is accumulated and communicated to the Bank's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls

There have not been any significant changes in the Bank's internal controls or in other factors that occurred during the quarter ended March 31, 2006 that could significantly affect these controls subsequent to the evaluation referenced in paragraph (a) above.

PART II
Other Information

Item 1. Legal Proceedings

Not applicable

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

(a) Exhibits

Exhibits

The form of the Bank's Organization Certificate that was filed as an exhibit to the Form 10-SB was the Organization Certificate as amended to December 22, 2005.

Exhibit No.	Description
3(i)	Organization Certificate of the Bank, as amended to April 18, 2006.
31.1	Certification by Chief Executive Officer Pursuant to Rule 13a-14.
31.2	Certification by Chief Financial Officer Pursuant to Rule 13a-14.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

USA Bank

Date: August 14, 2006

Name: Fred A. DeCaro, Jr.
Title: Chairman and Chief Executive Officer

Date: August 14, 2006

Name: Paul V. Erwin
Senior Vice President and Chief Financial Officer
and Secretary

**CERTIFICATION
BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14**

I, Fred A. DeCaro, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of USA Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Omitted as permitted by Exchange Act Release No. 47986];
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Fred A. DeCaro, Jr.
Chairman and Chief Executive Officer
(Principal executive officer)

August 14, 2006

**CERTIFICATION
BY PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULE 13a-14**

I, Paul V. Erwin, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of USA Bank;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Omitted as permitted by Exchange Act Release No. 47986];
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

/S/ Paul V. Erwin
Paul V. Erwin
Senior Vice President and Chief Financial
Officer
(Principal financial officer)

August 14, 2006

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES –OXLEY ACT OF 2002

In connection with the Quarterly Report of USA BANK (the “*Bank*”) on Form 10-QSB for the period ended March 31, 2006 as transmitted for filing with the Federal Deposit Insurance Corporation on the date hereof (the “*Report*”), I, Fred A. DeCaro, Jr., the Chief Executive Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

August 14, 2006

/s/ Fred A DeCaro, Jr.
Fred A. DeCaro, Jr.
Chairman and Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES –OXLEY ACT OF 2002

In connection with the Quarterly Report of USA BANK (the “*Bank*”) on Form 10-QSB for the period ended March 31, 2006 as transmitted for filing with the Federal Deposit Insurance Corporation on the date hereof (the “*Report*”), I, Paul V. Erwin, the Chief Financial Officer of the Bank, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Bank.

August 14, 2006

/S/ Paul V. Erwin
Paul V. Erwin
Senior Vice President and Chief Financial
Officer