

**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 September 30, 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

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

New York

(State or other jurisdiction of 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 November 13, 2007, 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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## Item 1. Financial Statements

### USA BANK

### BALANCE SHEETS

September 30, 2007 and December 31, 2006 (unaudited)

	September 30, 2007	December 31, 2006
<b>ASSETS</b>		
Cash and due from banks	\$ 3,100,910	\$ 4,458,792
Federal funds sold and overnight investments	17,473,848	20,645,089
Cash and cash equivalents	20,574,758	25,103,881
Interest bearing deposits	4,845,108	-
Held to maturity securities, at amortized cost (fair value \$1,499,960 in 2007 and \$1,747,994 in 2006)	1,472,842	1,730,612
Available for sale securities, at fair value	38,346,271	6,217,273
Total investment securities	39,819,113	7,947,885
Loans held for sale	9,544,805	1,461,948
Loans, net of the allowance for loan losses of \$945,000 in 2007 and \$703,000 in 2006	86,473,340	69,120,358
Leasehold improvements and equipment, net	846,802	739,652
Accrued interest receivable	1,102,277	566,913
Other assets	605,492	645,145
<b>Total assets</b>	<b>\$ 163,811,695</b>	<b>\$ 105,585,782</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits		
Noninterest bearing deposits	\$ 5,490,837	\$ 3,980,294
Interest bearing deposits	110,072,095	74,131,328
Total deposits	115,562,932	78,111,622
Securities sold under repurchase agreements	23,000,000	-
Accrued expenses and other liabilities	1,359,595	907,618
<b>Total liabilities</b>	<b>139,922,527</b>	<b>79,019,240</b>
Commitments and Contingencies	-	-
<b>Shareholders' Equity</b>		
Common stock, par value \$2; 5,750,000 shares authorized, issued and outstanding at September 30, 2007, and December 31, 2006, respectively	11,500,000	11,500,000
Additional paid-in capital	21,116,774	21,116,774
Accumulated deficit	(8,856,379)	(6,017,998)
Accumulated other comprehensive (loss) – net unrealized gain (loss) on available for sale securities	128,773	(32,234)
<b>Total shareholders' equity</b>	<b>23,889,168</b>	<b>26,566,542</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 163,811,695</b>	<b>\$ 105,585,782</b>

See Accompanying Notes to Financial Statements

**USA BANK**

**STATEMENTS OF OPERATIONS**

For the Three and Nine Months Ended September 30, 2007, and September 30, 2006 (unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2007	2006	2007	2006
<b>Interest Income</b>				
Interest on Federal funds sold and overnight investments	\$ 251,557	\$ 254,469	\$ 915,939	\$ 652,299
Interest on interest bearing deposits	48,463	-	48,463	-
Interest on loans	1,754,601	528,049	4,516,177	769,730
Interest on investments	604,468	196,187	970,065	196,778
Interest on loans held for sale	103,804	28,782	178,723	28,975
<b>Total interest income</b>	<u>2,762,893</u>	<u>1,007,487</u>	<u>6,629,367</u>	<u>1,647,782</u>
<b>Interest Expense</b>				
Interest expense on deposits	1,331,939	424,432	3,456,477	633,190
Interest expense on securities sold under repurchase agreements	233,992	-	252,370	-
<b>Total interest expense</b>	<u>1,565,931</u>	<u>424,432</u>	<u>3,708,847</u>	<u>633,190</u>
<b>Net interest income</b>	1,196,962	583,055	2,920,520	1,014,592
<b>Provision for loan losses</b>	212,000	107,000	275,000	292,000
<b>Net interest income after provision for loan losses</b>	<u>984,962</u>	<u>476,055</u>	<u>2,645,520</u>	<u>722,592</u>
<b>Noninterest Income</b>				
Gains on sales of loans	105,396	8,671	448,606	8,671
Service charges	21,815	8,765	48,098	18,762
Other	85,563	3,294	124,155	5,145
<b>Total noninterest income</b>	<u>212,774</u>	<u>20,730</u>	<u>620,859</u>	<u>32,578</u>
<b>Noninterest Expense</b>				
Salaries and employee benefits	796,037	730,071	2,704,991	1,975,606
Occupancy and equipment	171,541	225,736	496,008	425,628
Professional fees	264,550	73,548	688,141	161,741
Legal	206,911	44,202	497,768	111,507
Contract services	59,557	48,710	223,046	90,404
Commissions	270,640	33,000	480,485	33,000
Printing, stationery and supplies	20,230	29,849	74,891	96,271
Advertising	63,276	100,000	255,163	300,000
Data and item processing	92,439	71,880	273,237	213,668
Other	95,981	147,966	411,031	318,569
<b>Total noninterest expense</b>	<u>2,041,162</u>	<u>1,504,962</u>	<u>6,104,760</u>	<u>3,726,394</u>
<b>Net loss</b>	<u>\$ (843,426)</u>	<u>\$ (1,008,177)</u>	<u>\$ (2,838,381)</u>	<u>\$ (2,971,224)</u>
Basic loss per share	<u>\$ (0.15)</u>	<u>\$ (0.19)</u>	<u>\$ (0.49)</u>	<u>\$ (0.85)</u>

See Accompanying Notes to Financial Statements

**USA BANK**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Nine Months Ended September 30, 2007, and September 30, 2006 (unaudited)**

	Number of Shares	Common Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2005	2,333,334	\$ 4,666,668	\$ 9,036,820	\$ (1,509,316)	\$ -	\$ 12,194,172
Issuance of common stock	3,416,666	6,833,332	12,162,519			18,995,851
Comprehensive loss:						
Net loss				(2,971,224)	-	(2,971,224)
Unrealized holding gains on available for sale securities					30,042	30,042
<b>Total comprehensive loss</b>						<u>(2,941,182)</u>
Balance, September 30, 2006	<u>5,750,000</u>	<u>\$ 11,500,000</u>	<u>\$ 21,199,339</u>	<u>\$ (4,480,540)</u>	<u>\$ 30,042</u>	<u>\$ 28,248,901</u>
Balance, December 31, 2006	5,750,000	\$11,500,000	\$ 21,116,774	\$ (6,017,998)	\$ (32,234)	\$ 26,566,542
Comprehensive loss:						
Net loss				(2,838,381)		(2,838,381)
Unrealized holding gains on available for sale securities					161,007	161,007
<b>Total comprehensive loss</b>						<u>(2,677,374)</u>
Balance, September 30, 2007	<u>5,750,000</u>	<u>\$11,500,000</u>	<u>\$ 21,116,774</u>	<u>\$ (8,856,379)</u>	<u>\$128,773</u>	<u>\$ 23,889,168</u>

See Accompanying Notes to Financial Statements

**USA BANK**  
**STATEMENTS OF CASH FLOWS**  
**For the Nine Months Ended September 30, 2007, and September 30, 2006 (unaudited)**

	Nine Months Ended September 30,	
	2007	2006
<b>Cash Flows from Operations</b>		
Net loss	\$ (2,838,381)	\$ (2,971,224)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Amortization and accretion of premiums and discounts on investments, net	(9,361)	3,525
Provision for loan losses	275,000	292,000
Loans originated for sale, net of principal payments received	(27,985,030)	(4,286,803)
Proceeds from sales of loans	38,607,173	1,845,211
Net gains on sale of loans	(448,606)	(8,671)
Depreciation and amortization	159,917	136,651
Changes in assets and liabilities:		
Decrease (increase) in deferred loan (fees)/costs	301,376	(163,249)
Increase in accrued interest receivable	(535,364)	(371,688)
Decrease (increase) in other assets	39,653	(352,545)
Increase (decrease) in accrued expenses and other liabilities	451,977	(134,216)
<b>Net cash provided by (used in) operating activities</b>	<b>8,018,354</b>	<b>(6,011,009)</b>
<b>Cash Flows from Investing Activities</b>		
Increase in interest bearing deposits	(4,845,108)	-
Purchase of available for sale securities	(33,502,226)	(26,878,302)
Proceeds from sale of available for sale securities	-	5,000,000
Principal repayments on available for sale securities	1,536,763	150,022
Purchase of held to maturity securities	-	(1,906,162)
Principal repayments on held to maturity securities	264,603	82,713
Increase in loans receivable	(36,185,752)	(41,099,149)
Purchase of leasehold improvements and equipment	(267,067)	(490,801)
<b>Net cash used in investing activities</b>	<b>(72,998,787)</b>	<b>(65,141,679)</b>
<b>Cash Flows from Financing Activities</b>		
Net increase in time deposits	41,171,686	4,388,247
Net (decrease) increase in brokered deposits	(13,535,751)	29,900,589
Net increase in other deposits	9,815,375	16,796,312
Net increase in repurchase agreements	23,000,000	-
Decrease in advances from organizers	-	(1,953,006)
Net proceeds from sale of common stock	-	18,995,851
<b>Net cash provided by financing activities</b>	<b>60,451,310</b>	<b>68,127,993</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,529,123)</b>	<b>(3,024,695)</b>
Cash and cash equivalents		
Beginning	25,103,881	15,800,433
Ending	<b>\$ 20,574,758</b>	<b>\$ 12,775,738</b>

See Accompanying Notes to Financial Statements

**USA BANK**  
**STATEMENTS OF CASH FLOWS (continued)**  
**For the Nine Months Ended September 30, 2007, and September 30, 2006 (unaudited)**

	<u>September 30,</u> <u>2007</u>	<u>September 30,</u> <u>2006</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for:		
Interest	<u>\$ 4,802,934</u>	<u>\$ 450,814</u>
<b>Supplemental disclosure of noncash investing and financing activities:</b>		
Unrealized holding gains on available for sale securities arising during the period	<u>\$ 161,007</u>	<u>\$ 49,657</u>
Transfer of loans receivable to loans held for sale	<u>\$18,256,394</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 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 were 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 initial 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 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 \$1,504,146 (including financial advisory fees and selling commissions aggregating \$1,174,756) resulting in net proceeds of \$18,995,851 which were applied to augment the Bank’s capital.

**Note 2. Basis of Financial Statement Presentation**

The interim financial statements and notes thereto have been prepared in conformity with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Amounts in prior period financial statements are reclassified whenever necessary to conform to current period presentations. The results of operations for the three and nine months ended September 30, 2007, are not necessarily indicative of the results which may be expected for the year as a whole. 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, 2006, filed with the Federal Deposit Insurance Corporation on Form 10-KSB on April 9, 2007.

## Summary of Significant Accounting Policies

### Segment Reporting

The Bank's only business segment is Community Banking. During the years ended December 31, 2006 and 2005 and the nine months ended September 30, 2007 and 2006, this segment represented all of the revenues and income of the Bank and, therefore, is the only reported segment as defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

### Representations and Warranties Reserves

The Bank's representations and warranties reserves relate to potential losses that could be incurred related to the repurchase of sold loans or losses incurred as a result of early payment defaults or breaches of representations and warranties customary when loans are sold. Loans may be repurchased due to factors such as delinquency and other violations of representations and warranties as stated in the Bank's agreements with institutions to which loans are sold. The amount of losses the Bank expects to incur is estimated based upon such factors as the expected frequency of early payment defaults, the creditworthiness of borrowers and other economic factors. To the extent actual losses related to repurchase activity differ from the Bank's estimates, the carrying value of the repurchase reserve will be adjusted accordingly. See Note 14 under "Commitments and Contingencies."

### Interest-Bearing Deposits in Banks

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

### **Note 3. Investments**

The amortized cost, gross unrealized gains, gross unrealized losses and approximate fair values of available for sale and held to maturity securities at September 30, 2007, and December 31, 2006, are as follows:

#### **September 30, 2007**

<b>Available for sale securities</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
U.S. Government				
Sponsored Agencies	\$ 10,997,408	\$ 41,550	\$ (52,898)	\$ 10,986,060
Mortgage backed securities	27,136,015	289,844	(65,648)	27,360,211
<b>Total available for sale</b>	<b>\$ 38,133,423</b>	<b>\$ 331,394</b>	<b>\$(118,546)</b>	<b>\$ 38,346,271</b>
<b>Held to maturity securities</b>				
U.S. Government				
Sponsored Agencies	\$ 1,472,842	\$ 27,118	\$ -	\$ 1,499,960

**December 31, 2006**

<b>Available for sale securities</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
U.S. Government Sponsored Agencies	\$ 6,249,507	\$ -	\$ (32,234)	\$ 6,217,273
<b>Held to maturity securities</b>				
U.S. Government Sponsored Agencies	\$ 1,730,612	\$ 17,382	\$ -	\$ 1,747,994

At September 30, 2007, gross unrealized holding losses on available for sale securities totaled \$118,546. The unrealized loss amount at September 30, 2007, relates to four securities with an aggregate depreciation of 0.31% from the Bank's amortized cost. The gross unrealized losses have primarily existed for a period of less than twelve months. Management does not believe that any of the unrealized losses as of September 30, 2007, are other than temporary, as they primarily relate to mortgage backed securities issued by U.S. Government sponsored agencies and non-agency mortgage backed securities with average FICO scores in excess of 700 and these unrealized losses have resulted from changes in the interest rate environment. The Bank has the ability to hold these securities until fair value recovery or to maturity, if necessary, and expects to receive all contractual principal and interest related to these investments. As a result, management believes that these unrealized losses will not have a negative impact on future earnings or a permanent effect on capital.

At December 31, 2006, gross unrealized holding losses on available for sale securities totaled \$32,234. The gross unrealized loss amount at December 31, 2006, relates to two securities with aggregate depreciation of 0.52% from the Bank's amortized cost. None of the unrealized losses on available for sale securities as of December 31, 2006, existed for a period of twelve months or longer.

The held to maturity securities at each date presented are pledged as collateral for municipal deposits. At September 30, 2007, \$35.2 million of the available for sale securities have been pledged as collateral for municipal deposits and securities sold under agreements to repurchase. There were no sales of investment securities during the three months and nine months ended September 30, 2007 and 2006.

**Note 4. Loans and Allowance for Loan Losses**

A summary of the Bank's loan portfolio as of September 30, 2007, and December 31, 2006, is as follows:

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Real estate loans		
Residential mortgages	\$ 12,651,169	\$ 9,268,306
Commercial real estate	32,183,249	22,757,228
Construction	29,956,238	14,520,641
Home equity	5,700,372	15,094,296
Total real estate loans	<u>80,491,028</u>	<u>61,640,471</u>
Commercial and industrial loans	<u>5,011,500</u>	<u>4,609,467</u>
Consumer loans	<u>2,024,959</u>	<u>3,381,191</u>
Total gross loans	<u>87,527,487</u>	<u>69,631,129</u>
Deferred loan (fees) costs, net	(109,147)	192,229
Allowance for loan losses	<u>(945,000)</u>	<u>(703,000)</u>
Loans receivable, net	<u>\$ 86,473,340</u>	<u>\$ 69,120,358</u>

**Allowance for Loan Losses**

The following represents the activity in the allowance for loan losses for the nine months ended September 30, 2007, and September 30, 2006:

	<u>For the Periods Ended</u> <u>September 30,</u>	
	<u>2007</u>	<u>2006</u>
Balance at beginning of period	\$ 703,000	\$ -
Provision for loan losses	275,000	292,000
Charge off	<u>(33,000)</u>	<u>-</u>
Balance at end of period	<u>\$ 945,000</u>	<u>\$ 292,000</u>

**Non-Accrual and Past Due Loans**

The following is a summary of non-accrual and past due loans:

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Loans delinquent over 90 days and still accruing	\$ -	\$ -
Non-accrual loans	<u>351,044</u>	<u>-</u>
Total nonperforming loans	<u>\$ 351,044</u>	<u>\$ -</u>
% of Total Loans	0.40%	0.00%
% of Total Assets	0.21%	0.00%
Ratio of allowance for loan losses to nonperforming loans	269.20%	0.00%

The Bank did not have any loans ninety days or more past due and still accruing interest or loans considered “troubled debt restructurings” as of or during the nine months ended September 30, 2007, or the year ended December 31, 2006.

**Potential Problem Loans**

Three loans totaling \$351,000 at September 30, 2007, have been put on non-accrual and are considered potential problem loans. One of the loans is a residential mortgage of \$313,000, which required a partial charge-off of \$33,000 in the third quarter of 2007.

**Note 5. Deposits**

At September 30, 2007, and December 31, 2006, deposits consisted of the following:

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
Noninterest bearing deposits	<u>\$ 5,490,837</u>	<u>\$ 3,980,294</u>
Interest bearing deposits		
NOW and money market	12,264,651	3,515,554
Savings	<u>10,930,067</u>	<u>11,374,332</u>
NOW, money market and savings	<u>23,194,718</u>	<u>14,889,886</u>
Time Certificates under \$100,000	28,768,002	41,875,948
Time Certificates over \$100,000	<u>58,109,375</u>	<u>17,365,494</u>
Time deposits	<u>86,877,377</u>	<u>59,241,442</u>
Total interest bearing deposits	<u>110,072,095</u>	<u>74,131,328</u>
Total deposits	<u><u>\$ 115,562,932</u></u>	<u><u>\$ 78,111,622</u></u>

Included in time deposits at September 30, 2007, and December 31, 2006, were brokered deposits totaling \$29,902,833 and \$43,438,584, respectively. Brokered deposits at September 30, 2007, have original maturities of six months to five years. Brokered deposits at December 31, 2006, had original maturities of from four weeks to thirteen weeks.

**Note 6. Securities Sold Under Agreements to Repurchase**

The following table summarizes the securities sold under agreements to repurchase:

<b>Maturity Date</b>	<b>September 30, 2007</b>	<b>December 31, 2006</b>
May 2017	\$ 4,000,000	\$ -
July 2017	7,000,000	-
July 2017	4,000,000	-
July 2017	4,000,000	-
July 2017	<u>4,000,000</u>	<u>-</u>
Total securities sold under agreements to repurchase	<u><u>\$ 23,000,000</u></u>	<u><u>\$ -</u></u>

