

**BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM  
Washington, DC 20551**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): **MAY 17, 2006**

**MAINSTREET BANK**

(Exact name of registrant as specified in its charter)

<b>VIRGINIA</b> (State or other jurisdiction of incorporation)	<b>N/A</b> (Commission File Number)	<b>47-0914596</b> (IRS Employer Identification No.)
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<b>727 ELDEN STREET</b> <b>HERNDON, VIRGINIA</b> (Address of principal executive offices)	<b>20170</b> (Zip Code)
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Registrant's telephone number, including area code **(703) 481-4567**

**NOT APPLICABLE**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## **Item 1.01. Entry into a Material Definitive Agreement.**

### Approval of the 2006 Incentive Stock Plan

At the Annual Meeting of Shareholders of MainStreet Bank (the Bank) held on May 17, 2006, the Bank's shareholders approved the MainStreet Bank 2006 Incentive Stock Plan (the Incentive Plan), which the Bank's Board of Directors had adopted, subject to shareholder approval, on February 15, 2006.

The Incentive Plan is designed to provide expanded equity compensation opportunities for employees and non-employee directors of the Bank and any 50% or more owned subsidiaries that are selected to receive awards under the Incentive Plan. The Incentive Plan authorizes the granting of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, and stock awards to employees, and stock options, SARs, restricted stock, restricted stock units, and stock awards to non-employee directors.

The Incentive Plan provides that, subject to capital adjustments, the maximum number of shares of the Bank's common stock that may be issued under the plan is 186,638 plus the number of shares of common stock represented by awards previously made under the MainStreet Bank 2004 Stock Option and Incentive Plan (the 2004 Plan) that are outstanding on, and that expire or are otherwise terminated or forfeited at any time after May 17, 2006. As a result of the shareholders' approval of the Incentive Plan, no additional awards will be made under the Bank's 2004 Plan on or after May 17, 2006, although all awards that were outstanding under the 2004 Plan as of May 17, 2006 remain outstanding in accordance with their terms.

The Incentive Plan is required to be administered by a committee (the Committee), which consists only of non-employee directors, as defined in Rule 16b-3 under the Exchange Act of 1934, as amended, and outside directors as defined by Section 162(m) under the Internal Revenue Code. Subject to the terms of the Incentive Plan, the Committee has, among other powers, the power to determine the employees and non-employee directors to whom awards are made, the nature and extent of any such awards; and the terms and conditions upon which awards may be made, exercised, and modified; and to make all other determinations and take all other actions necessary or advisable for the administration of the Incentive Plan.

The foregoing description of the Incentive Plan does not purport to be complete and is qualified in its entirety by reference to the more detailed description of the Incentive Plan contained in, and the full text of the plan which was attached as Appendix B to, the Bank's definitive proxy statement on Schedule 14A filed with the Board of Governors of the Federal Reserve System on April 4, 2006 in connection with the Bank's 2006 Annual Meeting of Shareholders, both of which are incorporated herein by reference.

## Approval of the 2006 Employee Stock Purchase Plan

At the same Annual Meeting of Shareholders held on May 17, 2006, the Bank's shareholders also approved the MainStreet Bank 2006 Employee Stock Purchase Plan (the Purchase Plan), which the Bank's Board of Directors had adopted, subject to shareholder approval, on February 15, 2006. The Purchase Plan allows employees of the Bank and any 50% or more owned corporate affiliates to purchase shares of the Bank's common stock at a discount through an employee stock purchase plan described in Section 423 of the Internal Revenue Code. The Purchase Plan is designed to foster ownership of the Bank's common stock by employees who elect to participate in the Purchase Plan.

The Purchase Plan will become effective on July 1, 2006. Eligible employees of the Bank with at least six months of service as of the July 1 or January 1 of any six-month offering period (July 1 through the following December 31 and January 1 through the following June 30) may participate for that offering period. An eligible employee is a person who is employed as a common law employee by the Bank.

Each eligible employee for an offering period will be granted an option to purchase that number of whole shares of the Bank's common stock equal to \$25,000 divided by the fair market value of the Bank's common stock at the commencement of each offering period. The exercise price for an offering period is 95% of the lesser of (1) the common stock's fair market value at the commencement of the offering period (July 1 or January 1) or (2) the common stock's fair market value at the termination of the offering period (December 31 or June 30). The Bank's Board of Directors is authorized to change the above percentage (i.e., 95%) to a lesser or greater percentage prior to the beginning of any offering period, but not below 85%.

Participation by an eligible employee is voluntary for each offering period. Subject to the maximum of 75,000 shares that may be issued under the Purchase Plan, an eligible employee who wishes to participate for an offering period does so by electing to make payroll deduction contributions during an offering period and/or by making a lump sum contribution during the offering period, but the aggregate contributions may not exceed a \$25,000 limit on the value (at each date of grant) of shares purchased by any one employee in any calendar year under the plan (and any other similar plan of the Bank). In addition, no options may be issued to holders of 5% or more of the Bank's outstanding common stock.

The Purchase Plan will be administered by a Plan Administrator, which will be the Bank's Chief Financial Officer unless the Board of Directors appoints a different person or committee. The Purchase Plan Administrator is empowered to adopt rules and regulations for the administration of the Purchase Plan and to interpret the Purchase Plan. The Plan Administrator may make appropriate and proportionate adjustments to the number and kind of shares that are subject to outstanding options and the exercise price applicable to such options.

