

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C. 20551**

**FORM 10-QSB**

**(Mark One)**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **n/a**

**MAINSTREET BANK**

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

**Virginia**

(State or other jurisdiction of  
incorporation or organization)

**47-0914596**

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

**727 Elden Street**

**Herndon, VA**

(Address of principal executive offices)

**20170**

(Zip Code)

**(703) 481-4567**

(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

As of July 31, 2005, there were issued and outstanding 1,260,959 shares of the issuer's common stock.

Transitional Small Business Disclosure Format: Yes  No

**MAINSTREET BANK**  
**Quarterly Report on Form 10-QSB**  
**June 30, 2005**

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### MainStreet Bank Statements of Financial Condition

	<u>June 30, 2005</u> <i>(Unaudited)</i>	<u>December 31, 2004</u>
<b>ASSETS</b>		
Cash and due from banks	\$ 1,493,975	\$ 974,075
Federal funds sold	3,623,718	--
Investment securities available for sale, at fair value	21,078,211	23,436,630
Loans, net	31,597,378	20,432,010
Premises and equipment, net	836,504	777,447
Accrued interest	226,416	143,285
Restricted stock	638,750	367,650
Other assets	<u>232,430</u>	<u>80,054</u>
<b>Total Assets</b>	<u>\$ 59,727,382</u>	<u>\$ 46,211,151</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Non-Interest bearing deposits	\$ 8,372,593	\$ 7,629,220
Saving and NOW deposits	5,656,693	4,637,913
Money market deposits	11,959,240	10,484,417
Other time deposits	<u>18,757,979</u>	<u>12,922,582</u>
Total Deposits	44,746,505	\$ 35,674,132
Federal funds purchased and other borrowings	--	36,000
Federal home loan bank advances	5,000,000	--
Other liabilities	<u>235,112</u>	<u>137,384</u>
<b>Total Liabilities</b>	49,981,617	\$35,847,516
<b>Stockholders' Equity:</b>		
Common stock, \$4 par value. (Authorized 5,000,000 shares; issued and outstanding 1,260,959 shares for June 30, 2005 and 1,247,309 shares for December 31, 2004)	5,043,836	4,989,236
Capital surplus	7,428,456	7,346,556
Accumulated deficit	(2,426,177)	(1,926,437)
Unearned restricted stock grants	(136,500)	--
Accumulated other comprehensive income:		
Net unrealized loss on available for sale securities	<u>(163,850)</u>	<u>(45,720)</u>
<b>Total Stockholders' Equity</b>	<u>9,745,765</u>	<u>10,363,635</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 59,727,382</u>	<u>\$ 46,211,151</u>

*The accompanying notes are an integral part of these financial statements.*

**MainStreet Bank**  
**Statements of Operations**  
*(Unaudited)*

	For the three months ended June 30, 2005	For the one month ended June 30, 2004	For the six months ended June 30, 2005	For the one month ended June 30, 2004
<b>INTEREST INCOME:</b>				
Interest and fees on loans	\$ 500,016	\$ 4,781	\$ 869,404	\$ 4,781
Interest on investment securities	233,103	2,897	432,491	2,897
Interest on federal funds sold	<u>20,274</u>	<u>8,701</u>	<u>51,018</u>	<u>8,701</u>
Total Interest Income	753,393	16,379	1,352,913	16,379
<b>INTEREST EXPENSE:</b>				
Interest on savings and NOW deposits	35,155	594	62,989	594
Interest on money market deposits	84,679	602	167,157	602
Interest on other time deposits	144,695	1,170	243,967	1,170
Interest on federal funds purchased and other borrowings	<u>61,048</u>	<u>--</u>	<u>82,619</u>	<u>--</u>
Total Interest Expense	<u>325,577</u>	<u>2,366</u>	<u>556,732</u>	<u>2,366</u>
Net interest income	427,816	14,013	796,181	14,013
Provisions for loan losses	<u>35,000</u>	<u>35,000</u>	<u>80,000</u>	<u>35,000</u>
Net interest income after provision for loan losses	392,816	(20,987)	716,181	(20,987)
<b>OTHER INCOME:</b>				
Gain on sale of securities	965	--	1,155	--
Deposit account service charges	10,538	70	14,631	70
Other operating income	<u>5,733</u>	<u>400</u>	<u>8,456</u>	<u>400</u>
Total other income	17,236	470	24,242	470
<b>OTHER EXPENSES:</b>				
Salaries and employee benefits	348,683	98,421	706,236	98,421
Occupancy expenses	55,459	12,472	114,212	12,472
Equipment expenses	53,584	11,187	104,015	11,187
Advertising and marketing	20,446	3,695	29,964	3,695
Outside services	52,171	16,848	75,686	16,848
Insurance expense	5,325	--	15,329	--
Stationery, printing and supplies	9,461	2,250	21,875	2,250
Data processing	42,013	11,000	80,957	11,000
Other operating expenses	<u>48,127</u>	<u>17,203</u>	<u>91,889</u>	<u>17,203</u>
Total other expenses	<u>635,269</u>	<u>173,076</u>	<u>1,240,163</u>	<u>173,076</u>
INCOME (LOSS) BEFORE INCOME TAXES	(225,217)	(193,593)	(499,740)	(193,593)
Benefit from income taxes	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
NET INCOME (LOSS)	<u>\$ (225,217)</u>	<u>\$ (193,593)</u>	<u>\$ (499,740)</u>	<u>\$ (193,593)</u>
Net Income (loss) per common share	\$ (0.18)	\$ (0.16)	\$ (0.40)	\$ (0.16)
Weighted average number of shares	1,247,309	1,247,309	1,247,309	1,247,309

*The accompanying notes are an integral part of these financial statements.*

**MainStreet Bank**  
**Statements of Changes in Stockholders' Equity (Unaudited)**  
**Six Months Ended June 30, 2005**

	<u>Common Stock</u>		<u>Capital</u>	<u>Accumulated</u>	<u>Unearned</u>	<u>Accumulated</u>	<u>Total Stock-</u>
	<u>Shares</u>	<u>Amount</u>	<u>Surplus</u>	<u>Deficit</u>	<u>Restricted</u>	<u>Other</u>	<u>holders'</u>
					<u>Stock Grants</u>	<u>Income (Loss)</u>	<u>Equity</u>
Proceeds from sale of common stock	1,247,309	\$4,989,236	\$7,346,556				\$12,335,792
Net Loss				\$(1,189,882)			(1,189,882)
Pre-opening expenses, net				(736,555)			(736,555)
Net change in unrealized loss on securities available for sale						\$(45,720) <sup>(1)</sup>	(45,720)
<b>BALANCE, DECEMBER 31, 2004</b>	<u>1,247,309</u>	<u>4,989,236</u>	<u>7,346,556</u>	<u>(1,926,437)</u>	<u>--</u>	<u>(45,720)</u>	<u>10,363,635</u>
Net Loss				(274,523)			(274,523)
Issuance of restricted stock grants	12,150	48,600	72,900		(121,500)		--
Net change in unrealized loss on securities available for sale						(193,718) <sup>(1)</sup>	(193,718)
<b>BALANCE, MARCH 31, 2005</b>	<u>1,259,459</u>	<u>\$5,037,836</u>	<u>\$7,419,456</u>	<u>\$(2,200,960)</u>	<u>\$(121,500)</u>	<u>\$ (239,438)</u>	<u>\$ 9,895,394</u>
Net Loss				(225,217)			(225,217)
Issuance of restricted stock grants	1,500	6,000	9,000		(15,000)		--
Net change in unrealized loss on securities available for sale						75,588 <sup>(1)</sup>	75,588
<b>BALANCE, JUNE 30, 2005</b>	<u>1,260,959</u>	<u>\$5,043,836</u>	<u>\$7,428,456</u>	<u>\$(2,426,177)</u>	<u>\$(136,500)</u>	<u>\$ (163,850)</u>	<u>\$ 9,745,765</u>

**Disclosures:**

(1) Unrealized holding gains on available for sale securities arising as of December 31, 2004; March 31, 2005; and June 30, 2005, net of deferred income tax effect of \$23,523; \$123,408; \$84,408, respectively.

*The accompanying notes are an integral part of these financial statements.*

**MainStreet Bank**  
**Statements of Cash Flows**  
*(Unaudited)*

	<b>For the Six Months Ended June 30, 2005</b>	<b>For the One Month Ended June 30, 2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (499,740)	\$ (930,148)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	81,429	9,785
Amortization	104,080	--
Gain on sale of investment securities available for sale	(1,155)	--
Provision for loan loss	80,000	35,000
Changes in assets and liabilities		
Increase in accrued interest receivable	(83,131)	(17,970)
Increase in other assets	(91,521)	(56,426)
Increase in other liabilities	97,728	240,470
<b>Net cash used in operating activities</b>	<b>(312,310)</b>	<b>(719,289)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Maturity of investment securities available for sale	7,500,000	--
Purchase of investment securities available for sale	(11,892,910)	(9,697,801)
Payments on investment securities available for sale	3,948,429	--
Purchase of investment securities held to maturity	--	(374,200)
Sale of investment securities available for sale	2,520,990	--
Net increase in loan portfolio	(11,245,368)	(3,481,956)
Purchase of Federal Home Loan Bank stock	(271,100)	--
Purchase of premises and equipment	(140,486)	(464,860)
<b>Net cash used in investing activities</b>	<b>(9,580,445)</b>	<b>(14,018,817)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in cash realized from:		
Net increase in non-interest bearing deposits	743,373	1,013,650
Net increase in interest bearing savings and time deposits	8,329,000	2,384,048
Net proceeds from sale, conversion of common stock	--	12,335,792
Federal funds purchased and other borrowings	4,964,000	--
<b>Net cash provided by financing activities</b>	<b>14,036,373</b>	<b>15,733,490</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,143,618</b>	<b>995,384</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>974,075</b>	<b>--</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 5,117,693</b>	<b>\$ 995,384</b>

*The accompanying notes are an integral part of these financial statements.*

**Notes to Financial Statements**  
**June 30, 2005 (Unaudited)**

**(1) General**

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and with applicable quarterly reporting regulations of the Securities and Exchange Commission (as adopted by the Board of Governors of the Federal Reserve System) and general banking industry practices. They do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. Therefore, these financial statements should be read in conjunction with the financial statements and notes thereto for the period ended December 31, 2004 which was included in the Bank's registration statement on Form 10-SB filed with the Board of Governors of the Federal Reserve System on May 2, 2005.

In the opinion of the Bank's management, the accompanying unaudited financial statements contain all adjustments of a normal recurring nature, necessary to present fairly the Bank's financial position as of June 30, 2005 and the results of operations for the three and six-month periods ended June 30, 2005 and cash flows for the three month period ended June 30, 2005.

The results of operations for the three months ended June 30, 2005 are not necessarily indicative of the results to be expected for the full year ending December 31, 2005.

**(2) Net Income (Loss) Per Share**

Net income (loss) per common share is computed based on the weighted average number of shares of common stock outstanding during the year. The stock options and restricted shares granted during 2004 and 2005 were not considered in the calculation of loss per share in that their effect was anti-dilutive.

**(3) Cash and Cash Equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold.

#### (4) Investment Securities

The amortized cost, unrealized holding gains and losses, and the fair value of investment securities at June 30, 2005 and December 31, 2004 are summarized as follows:

<u>Available for sale securities:</u>	<u>Amortized Cost</u>	<u>Unrealized</u>		<u>Fair Value</u>
		<u>Gains</u>	<u>Losses</u>	
<i>June 30, 2005</i>				
Collateralized Mortgage Obligations	\$15,695,227	\$ --	\$(210,348)	\$15,484,879
U.S. Government Agency Mortgage Backed Securities	<u>5,631,241</u>	<u>--</u>	<u>(37,909)</u>	<u>5,593,332</u>
Total	<u>\$21,326,468</u>	<u>\$ --</u>	<u>\$(248,257)</u>	<u>\$21,078,211</u>
<i>December 31, 2004</i>				
Collateralized Mortgage Obligations	\$16,007,696	\$ 11,161	\$(80,434)	\$15,938,423
U.S. Government Agency Mortgage Backed Securities	<u>7,498,207</u>	<u>--</u>	<u>--</u>	<u>7,498,207</u>
Total	<u>\$23,505,903</u>	<u>\$ 11,161</u>	<u>\$(80,434)</u>	<u>\$23,436,630</u>

#### (5) Loans

Loans are summarized as follows:

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
Real Estate:		
Residential real estate	\$ 5,400,824	\$ 4,663,292
Commercial real estate	19,818,521	14,765,720
Construction	<u>2,199,264</u>	<u>548,337</u>
Total real estate	<u>27,418,609</u>	<u>19,977,349</u>
Commercial	3,184,256	469,838
Consumer	<u>1,447,852</u>	<u>337,763</u>
Gross Loans	32,050,717	20,784,950
Less: unearned discounts and fees	(88,339)	(67,940)
Less: allowance for loan losses	<u>(365,000)</u>	<u>(285,000)</u>
Net Loans	<u>\$31,597,378</u>	<u>\$20,432,010</u>

## (6) Allowance for Loan Losses

Changes in the allowance for loan losses for the six months ended June 30, 2005 are summarized as follows:

	<u>2005</u>
Balance, as of January 1, 2005	\$285000
Provisions for loan losses	80000
Charge-offs	--
Recoveries of loans charged off	--
Net charge-offs	<u>---</u>
Balance, as of June 30, 2005	<u>\$365000</u>

## (7) Stock-based Compensation

In October 1995, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 123 “Accounting for Stock-Based Compensation,” which encourages companies to recognize expense for stock-based awards based on their estimated value on the date of grant. SFAS No. 123 permits companies to account for stock-based compensation based on provisions prescribed in SFAS No. 123, or based on the authoritative guidance in Accounting Principles Board Opinion No. 25 (“APB 25”), “Accounting for Stock Issued to Employees.” The Bank has elected to account for its stock-based compensation in accordance with APB 25, which uses the intrinsic value method; however, as required by SFAS No. 123, the Bank has disclosed the pro forma impact on the financial statements assuming the measurement provisions of SFAS No. 123 had been adopted. Due to the limited history of the Bank’s common stock, management is unable to estimate the fair value of the options awarded; however, management believes such fair value was not significant as of the date of the award.

On December 16, 2004, the FASB issued SFAS No. 123R (revised 2004), “Share-Based Payment,” that addresses the accounting for share-based payment transactions in which a company receives employee or director services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company’s equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic method and requires that such transactions be accounted for using a fair-value-based method and recognized as expense in the consolidated statement of income. The effective date of SFAS No. 123R is for annual periods beginning after June 15, 2005. We will begin recognizing compensation expense in 2006 for options that have been issued but not yet vested prior to January 1, 2006. Options issued after the effective date of SFAS No. 123R will increase compensation expense for 2006 and afterward. The Bank is currently evaluating the impact that the adoption of SFAS No. 123R will have on its statement of condition and results of operations once such standards become effective with respect to the Bank.

The Compensation Committee of the Board of Directors approved and issued during the three months ended March 31, 2005, 21,220 non-qualified stock options (“NQSOs”) and 25,500 incentive stock

options (“ISOs”) pursuant to the Bank’s 2004 Stock Option and Incentive Plan. Each option was granted with a 10-year term and an exercise price of \$10.00 per share. Of the options granted during the first quarter:

- 7,720 NQSOs vest in four equal installments on March 31, 2005, June 30, 2005, September 30, 2005 and December 31, 2005;
- 4,500 NQSOs vest in three equal installments on December 31, 2005, 2006 and 2007;
- 9,000 NQSOs that would have vested in three equal installments on March 16, 2006, 2007 and 2008 were forfeited for no consideration pursuant to the terms of the option award agreement; and
- 25,500 ISOs vest in three equal installments on March 16, 2006, 2007 and 2008.

During the quarter, 1,930 NQSOs vested.

During the six months ended June 30, 2005, the Compensation Committee approved and issued 13,650 shares of restricted stock pursuant to the option and incentive plan. Restricted shares totaling 12,150 were granted in the first quarter and vest in three equal installments on March 16, 2006, 2007 and 2008, and the remaining 1,500 shares were granted in the second quarter and vest in three equal installments on May 4, 2006, 2007, and 2008. None of the restricted shares vested during the six months ended June 30, 2005.

## **Item 2. Management’s Discussion and Analysis or Plan of Operation.**

The following discussion is intended to assist readers in understanding and evaluating the Bank’s financial condition and results of operations. This review should be read in conjunction with the Bank’s unaudited financial statements and accompanying notes included in “Part I, Item 1. Financial Statements” of this report.

### **Caution Regarding Forward-Looking Statements**

Some of the matters discussed below include forward-looking statements. Forward-looking statements include statements regarding profitability, liquidity, allowance for loan losses, interest rate sensitivity, market risk and financial and other goals. Forward-looking statements often contain words such as “believes,” “expects,” “plans,” “may,” “will,” “should,” “projects,” “contemplates,” “anticipates,” “forecasts,” “intends,” or other words of similar meaning. You can also identify them by the fact that they do not relate strictly to historical or current facts. The forward-looking statements used in this report are subject to significant risks, assumptions and uncertainties, including among other things, the following important factors that could affect the actual outcome of future events:

- fluctuation in market rates of interest and loan and deposit pricing, which could negatively affect our net interest margin, asset valuation and income and expense projections;
- adverse changes in the overall national economy as well as adverse economic conditions in our specific market areas within Northern Virginia and the greater Washington, D.C. metropolitan region;
- maintenance and development of well-established and valued client relationships and referral source relationships;
- acquisition or loss of key production personnel;
- competitive factors within the financial services industry; and
- changes in regulatory requirements and restrictive banking legislation.

Because of these and other uncertainties, our actual results and performance may be materially different from the results indicated by these forward-looking statements. In addition, our past results of operations are not necessarily indicative of future performance.

We caution readers that the list of factors above is not exclusive. These forward-looking statements are made as of the date of this report, and we may not undertake steps to update these forward-looking statements to reflect the impact of any circumstances or events that arise after the date the forward-looking statements are made.

## **Overview**

MainStreet Bank (the “Bank”) is a state chartered commercial bank headquartered in Herndon, Virginia. The Bank was incorporated in the Commonwealth of Virginia on March 28, 2003, and opened for business on May 26, 2004. Because the Bank did not commence operations until May 26, 2004, the comparisons to June 30, 2004 do not represent a full three and six month time period.

Our sophisticated operating systems and skilled staff have enabled us to compete effectively with other community and commercial banking operations in our market. We offer a broad range of banking services from our location at 727 Elden Street in Herndon and primarily target individuals, professionals and small businesses in Fairfax and Loudoun Counties as well as the surrounding Washington metropolitan area. The retail nature of the Bank’s commercial banking operations allows for diversification of depositors and borrowers, and we believe that the Bank is not dependent upon a single or a few customers. A significant portion of the Bank’s commercial loan portfolio is concentrated in commercial real estate loans to services-oriented businesses. The predominance of government contracting within the metropolitan area has a stabilizing effect on the local economy, especially with regard to the services industry. Growth of the services industry has remained strong during recent years and we anticipate that this trend will continue.

In addition to our existing location, we are implementing new technology which will significantly enhance our business banking. This technology includes the ability for our business customers to scan and capture checks at their place of business so that those checks can be electronically deposited via the internet (Remote Image Capture). This Remote Image Capture technology will provide our customers with faster access to funds along with full service business banking within the confines of their own office. The successful implementation of this strategy will eliminate the geographic restrictions of branch banking within our business banking network.

The Bank’s primary source of revenue is interest income and fees generated by lending and investing. The Bank will typically balance the loan and investment portfolio towards loans. However, in the start-up phase, the balance is weighted more to the investment portfolio because as a new bank, we have capital that must be invested, and securities represent an immediate opportunity for investment.

The Bank’s results indicate consistent growth since inception, no credit losses to date and no non-performing assets as of the reporting periods indicated. The Bank’s focus has been to develop banking relationships with key customers in the community that can create business opportunities for the Bank. As of June 30, 2005, the Bank had total assets of \$59.7 million, gross loans of \$32.1 million, total deposits of \$44.7 million and total stockholders’ equity of \$9.7 million. The Bank had a net loss for the seven month period from May 26, 2004 to December 31, 2004, of \$1.2 million or \$0.95 per common share, which amounts do not include pre-opening organizational expenses of \$737 thousand.

For the three months ended June 30, 2005, the Bank had a net loss of \$225 thousand, or \$0.18 per common share (basic and diluted), compared to a net loss of \$194 thousand, or \$0.16 per common share (basic and diluted) for the one month ended June 30, 2004. Pre-opening organizational expenses, which are

not a component of net loss during the one month ended June 30, 2004, consisted of \$737 thousand. Return on average equity during the three months ended June 30, 2005 was (2.25%). Return on average assets for the three months ended June 30, 2005 was (0.40%).

For the six months ended June 30, 2005, the Bank had a net loss of \$500 thousand, or \$0.40 per common share (basic and diluted), compared to a net loss of \$194 thousand, or \$0.16 per common share (basic and diluted) for the one month ended June 30, 2004. Pre-opening organizational expenses, which are not a component of net loss during the one month ended June 30, 2004, consisted of \$737 thousand. Return on average equity during the six months ended June 30, 2005 was (4.94%). Return on average assets for the six months ended June 30, 2005 was (0.94%).

At June 30, 2005, the Bank had total assets of \$59.7 million, an increase of \$13.5 million, or 29.2%, from \$46.2 million at December 31, 2004. The primary growth in assets from December 31, 2004 was due to an increase in net loans of \$11.2 million or 54.6%. As of June 30, 2005, total gross loans were \$32.1 million, an increase of 54.3% over \$20.8 million as of December 31, 2004. The increase was primarily due to an increase in commercial real estate loans of \$5.1 million and commercial loans of \$2.7 million. This growth reflects our continued focus on loan growth.

The allowance for loan losses was \$365 thousand as of June 30, 2005, or 1.14% of loans outstanding, compared to \$285 thousand as of December 31, 2004, or 1.37% of outstanding loans. As noted under "Critical Accounting Policies" below, we use peer analysis and industry trends as additional tools to evaluate the adequacy of the allowance for loan losses given the lack of historical charge-offs.

Total deposits were \$44.7 million as of June 30, 2005, which represents a 25.2% increase from \$35.7 million total deposits as of December 31, 2004. At June 30, 2005, non-interest bearing deposits totaled \$8.4 million or 18.7% of total deposits.

Total stockholders' equity was \$9.7 million as of June 30, 2005 and \$10.4 million as of December 31, 2004. The net unrealized loss on available for sale securities amounted to \$164 thousand, net of tax as of June 30, 2005, and \$46 thousand, net of tax as of December 31, 2004. Securities available for sale are reported at market value or fair value. Any unrealized gain or loss, net of applicable income taxes, is reported as a separate addition to or reduction from stockholders' equity. Gains and losses arising from the sale of securities available for sale are recognized based on the specific identification method and included in results of operations.

Net interest margin was 3.11% for the three months ended June 30, 2005 and 2.84% for the six months ended June 30, 2004. Net interest margin was 2.84% for the seven month period ended December 31, 2004. The increase in the net interest margin for the quarter is directly attributable to the increase in loan balances and increased interest rates.

## **Results of Operations**

*Net Interest Income.* Net interest income represents the principal source of revenue for the Bank. Net interest income was \$428 thousand and \$796 thousand for the three and six months ended June 30, 2005, respectively. Net interest income was \$410 thousand for the seven months ended December 31, 2004. The Bank's continued growth in net interest income is directly attributable to the significant asset growth, especially loan growth. Net interest margin for the three and six months ended June 30, 2005 was 3.11% and 2.84%, respectively.

The average balance of the total loan portfolio was \$28.7 million for the three months ended June 30, 2005. The related interest income from loans was \$500 thousand for this period and the average yield on loans was 7.00%.

The average balance of the total loan portfolio was \$25.7 million for the six months ended June 30, 2005. The related interest income from loans was \$869 thousand for this period and the average yield on loans was 6.82%.

Investment securities income was \$233 thousand for the three months ended June 30, 2005, and the yield on investment securities was 3.94% for this period. Investment securities income was \$432 thousand for the six months ended June 30, 2005, and the yield on investment securities was 3.90% for this period.

Excess liquidity results in federal funds sold for the Bank. The short term investments in federal funds sold contributed \$20 thousand and \$51 thousand to interest income in the three and six months ended June 30, 2005, respectively.

Consistent with the Bank's asset growth, average interest-bearing funding sources (deposit and purchased funds) grew to \$39.9 million in the three months ended June 30, 2005. Interest expense for all interest-bearing liabilities was \$326 thousand in the second quarter of 2005. The average cost of interest-bearing liabilities for the three months ended June 30, 2005 was 3.28%.

Average interest-bearing funding sources (deposit and purchased funds) grew to \$37.1 million in the six months ended June 30, 2005. Interest expense for all interest-bearing liabilities was \$557 thousand in the six months ended June 30, 2005. The average cost of interest-bearing liabilities during this period was 3.02%.

*Non-interest Income.* Non-interest income was \$17 thousand and \$24 thousand during the three and six months ended June 30, 2005, respectively. The Bank's primary source of non-interest income is from service charges on deposit accounts and loan processing fees.

*Non-interest Expense.* Non-interest expense for the three months ended June 30, 2005 was \$635 thousand. Non-interest expense during the second quarter consisted primarily of salary and benefits expense of \$349 thousand; occupancy and furniture and equipment costs of \$109 thousand; outside services expense, which consist primarily of legal, accounting, and human resources payroll, of \$52 thousand; and data processing of \$42 thousand.

Non-interest expense for the six months ended June 30, 2005 was \$1.2 million. Non-interest expense for the six months ended June 30, 2005 consisted primarily of salary and benefits expense of \$706 thousand; occupancy and furniture and equipment costs of \$218 thousand; outside services expense, which consist primarily of legal, accounting, and human resources payroll, of \$76 thousand; and data processing of \$81 thousand.

*Income Taxes.* The Bank did not record any income tax expense or benefit for the three and six months ended June 30, 2005.

## **Analysis of Financial Condition**

*Investment Securities.* Investment securities available for sale was \$21.1 million as of June 30, 2005, a \$2.3 million decrease from \$23.4 million at December 31, 2004. There were no investments classified as held to maturity for any periods reported.

The Bank generally classifies investment securities as available for sale under the classifications required under SFAS No.115. The investment portfolio is used to manage excess liquidity and general liquidity needs as well as other rebalancing needs as required by the overall asset/liability position.

The effects of unrealized losses on the investment portfolio, net of tax, were \$164 thousand as of June 30, 2005 and \$46 thousand as of December 31, 2004. Consistent with our investment and asset/liability

strategies, we believe the investment portfolio is properly positioned for the current and projected near term interest rate environment.

The investment portfolio as of June 30, 2005 contained collateralized mortgage obligations (“CMOs”) and U.S. government agency mortgage backed Securities (“MBS”). The Bank’s current investment strategy includes investments that provide stable cashflows. As part of the overall asset/liability strategy, the Bank is trying to maintain a base case portfolio duration in the 3 to 5 year range. Contractual maturities of CMOs and MBSs are not reliable indicators of their expected life because mortgage borrowers have the right to prepay mortgages at any time. During the six months ended June 30, 2005, the Bank purchased investment securities with the business objective of providing more cashflow and a shorter duration in the base case scenarios. The Bank actively manages its portfolio duration and composition with the changing market conditions and changes in balance sheet and risk management needs. In addition, the securities are used to pledge for certain borrowing transactions.

The investment portfolio did not contain any corporate debt securities for any periods presented.

*Loan Portfolio.* Gross loans were \$32.1 million as of June 30, 2005, which compares to \$20.8 million as of December 31, 2004. Commercial loans were \$3.2 million, representing 9.9% of the loan portfolio as of June 30, 2005. Commercial real estate loans (generally owner-occupied) were \$19.8 million or 61.8% of the loan portfolio as of June 30, 2005. Residential real estate loans (home equity and fixed rate trusts) were \$5.4 million or 16.9% of the loan portfolio as of June 30, 2005. Consumer and real estate construction loans make up the remaining \$3.7 million balance of the loan portfolio as of June 30, 2005.

*Asset Quality.* The loan portfolio has experienced no past due loans since inception. As of June 30, 2005, the Bank had no non-accrual loans or loans past due in excess of 90 days. As of December 31, 2004 there were no past due loans. The allowance for loan losses was \$365 thousand as of June 30, 2005, or 1.14% of loans outstanding compared to \$285 thousand as of December 31, 2004, or 1.37% of outstanding loans. The Bank did not have any loans held for sale.

*Nonperforming Assets.* A loan is placed on non-accrual status when it is specifically determined to be impaired or when principal or interest is delinquent 90 days or more. The Bank had no nonperforming assets as of June 30, 2005 and December 31, 2004.

As part of our routine credit administration process, we will engage an outside consulting firm to review our loan portfolio at least annually going forward. The information from these reviews will be used to monitor individual loans as well as to evaluate the overall adequacy of the allowance for loan losses.

The Bank closely monitors individual loans, and the loan officers are responsible for working with customers to resolve potential credit issues in a timely manner to minimize the loss exposure. The Bank maintains a policy of adding an appropriate amount to the allowance for loan losses to ensure an adequate reserve based on the portfolio composition, specific credit extended by the Bank and general economic conditions.

As of June 30, 2005 and December 31, 2004 there were no classified assets. In addition, as of June 30, 2005 and December 31, 2004, there were no loans on the watch list.

*Deposits.* The Bank seeks deposits within the market area by paying competitive interest rates, offering high quality customer service and using technology to deliver deposit services effectively. As of June 30, 2005, the deposit portfolio grew to \$44.7 million, a \$9.0 million increase over the December 31, 2004 level of \$35.7 million. The Bank has seen growth in several key categories over the periods compared. Demand deposits, NOW, money market and certificates of deposit have all grown in proportion with the overall company growth.

The Bank may gather time deposits from the wholesale marketplace. Brokered certificates of deposit allow the Bank to fund loan and investment growth with a minimal impact on overall sales efforts. As of June 30, 2005 and December 31, 2004, we had \$5.6 million and \$2.3 million, respectively, in such deposits. The certificates issued as part of the brokered deposit program have maturities ranging from one to three years from issuance. As market conditions warrant and balance sheet needs dictate, we may continue to participate in the wholesale certificates of deposit market. As with any deposit product, we have potential risk for non-renewal by the customer and/or broker.

*Purchased Funds.* The Bank offers repurchase agreements (“repos”) to commercial customers and affluent individuals. The repos are offered for convenience and security to these larger clients. There were no customer repos as of June 30, 2005 and December 31, 2004. The Bank does not have any open repos with broker dealers.

As of June 30, 2005 we had one advance outstanding with the Federal Home Loan Bank of Atlanta that totaled \$5.0 million and no advances outstanding as of December 31, 2004. The advance outstanding at June 30, 2005 was a fixed rate advance with a weighted average interest rate of 4.70% that matures in March 2010. There were \$36 thousand in federal funds purchased as of December 31, 2004.

*Liquidity.* Liquidity represents an institution’s ability to meet present and future financial obligations through either the sale or maturity of existing assets or the acquisition of additional funds from alternative funding sources. The Bank’s liquidity is provided by cash and due from banks, federal funds sold, investments available for sale, managing investment maturities, interest-earning deposits in other financial institutions and loan repayments. The overall asset/liability strategy of the Bank takes into account the need to maintain adequate liquidity to fund asset growth and deposit runoff. The Bank’s management monitors the liquidity position daily in conjunction with the Federal Reserve position monitoring. We have unsecured and secured credit lines available from our correspondent bank. Additionally, the Bank may borrow funds from the Federal Home Loan Bank of Atlanta. The credit facilities are used in conjunction with the normal deposit strategies, which include pricing changes to increase deposits as necessary. The Bank can sell or pledge investment securities to create additional liquidity. From time to time, the Bank may sell or participate out loans to create additional liquidity as required. We are not aware of any current legislative recommendations, which, if implemented, would have a material effect on the Bank’s liquidity, capital resources or results of operations.

*Interest Sensitivity.* The cumulative positive gap position within one year was \$1.4 million or 2.40% of assets as of June 30, 2005 compared to a positive gap of \$477 thousand, or 1.07% of total assets, at December 31, 2004. The positive gap suggests that the net interest margin will increase in a market of rising interest rates as assets will reprice faster than liabilities. This measurement technique is common in the financial services industry; however, it has limitations and is not our sole tool for measuring interest rate sensitivity. A significant limitation is the use of contractual maturities for investment securities. Many investment securities in our portfolio are expected to prepay or be called prior to contractual maturity.

The interest sensitivity position does not measure the impact of interest rate changes on the market value of our investment securities portfolio. Rising interest rates will cause a decline in the market value of our investment securities. A decline in the market value of the investment portfolio could make managing the net interest income exposure more difficult.

As part of our interest rate risk management, we typically use the investment portfolio to balance our interest rate exposure. We purchase or sell fixed or floating rate investment products with longer or shorter durations, as necessary. Additionally, the pricing of deposits is adjusted within the market area to favor money market or certificates of deposits depending on the need for floating or fixed rate liabilities. The pricing of loan products is a function of interest rate risk management strategies and the market conditions in

the area. In many cases, interest rate risk pricing desires are not consistent with the general market, which requires us to balance our interest rate risk through other products. An example of this is that in a declining rate environment, the loan customer typically prefers floating rate loans and banks typically desire fixed rate loans. In this example, we would add fixed rate securities or price money market deposits aggressively to balance the interest rate risk.

There is no guarantee that the risk management and balance sheet management strategies we employ will be effective in periods of rapid rate movements. We believe our strategies are reasonable in the base case of our modeling efforts.

*Capital.* The Bank is considered “well capitalized” under the risk-based capital guidelines adopted by the various regulatory agencies. Stockholders’ equity was \$9.7 million at June 30, 2005 compared to \$10.4 million at December 31, 2004. Book value per common share was \$7.73 as of June 30, 2005 compared to \$8.31 as of December 31, 2004.

The Bank’s ability to pay cash dividends is restricted by banking regulations. The Bank has not declared or paid cash dividends since inception. It is our general policy to retain earnings to support future organizational growth.

*Concentrations.* The Bank operates in the greater Washington, D.C. metropolitan region, primarily in the Northern Virginia submarket. The Bank’s overall business includes a focus on real estate activities, including title companies and real estate settlement businesses. Material changes in the economic situation of the region and/or the region’s real estate market could have an adverse impact on the Bank.

### **Off-Balance Sheet Activities**

As of June 30, 2005, there have been no material changes to the off-balance sheet arrangements disclosed in “Management’s Discussion and Analysis or Plan of Operation” for the period ended December 31, 2004 in the Bank’s registration statement on Form 10-SB filed with the Board of Governors of the Federal Reserve System on May 2, 2005.

### **Critical Accounting Estimates**

The Bank’s accounting and reporting policies are in accordance with U.S. generally accepted accounting principles (“GAAP”) and conform to general practices within the banking industry. The Bank’s financial position and results of operations are affected by management’s application of accounting policies, including estimates, assumptions and judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses and related disclosures. Different assumptions in the application of these policies could result in material changes in the Bank’s financial position and/or results of operations. The accounting policy that requires management’s most difficult, subjective or complex judgments is the Bank’s allowance for loan losses, which is described below.

*Allowance for Loan Losses.* The allowance for loan losses is an estimate of the losses that may be sustained in the loan portfolio. The allowance is based on two basic principles of accounting: (1) Statement of Financial Accounting Standards (SFAS) No. 5, “Accounting for Contingencies”, which requires that losses be accrued when occurrence is probable and estimable and (2) SFAS No. 114, “Accounting by Creditors for Impairment of a Loan”, which requires that losses be accrued based on the differences between the value of collateral, present value of future cash flows or values that are observable in the secondary market and the loan balance.

The Bank's allowance for loan losses is the accumulation of various components that are calculated based on independent methodologies. All components of the allowance represent an estimation performed pursuant to either SFAS No. 5 or SFAS No. 114. Management's estimate of each SFAS No. 5 component is based on certain observable data that management believes are most reflective of the underlying credit losses being estimated. This evaluation includes credit quality trends; collateral values; loan volumes; borrower and industry concentrations; seasoning of the loan portfolio; the findings of internal credit quality assessments and results from external bank regulatory examinations. These factors, as well as historical losses and current economic and business conditions, are used in developing estimated loss factors used in the calculations.

The Bank has adopted SFAS No. 114, which has been amended by SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures." SFAS No. 114, as amended, requires that the impairment of loans that have been separately identified for evaluation is to be measured based on the present value of expected future cash flows or, alternatively, the observable market price of the loans or the fair value of the collateral. However, for those loans that are collateral dependent (that is, if repayment of those loans is expected to be provided solely by the underlying collateral) and for which management has determined foreclosure is probable, the measure of impairment is to be based on the net realizable value of the collateral. SFAS No. 114, as amended, also requires certain disclosures about investments in impaired loans and the allowance for loan losses and interest income recognized on loans.

The allowance for loan losses is composed of specific reserves and general unallocated reserves. Specific reserves are determined monthly for each loan based upon the loan risk rating, average advance rate, collateral type, and in the case of installment loans – past due and other performance measures.

Reserves for commercial loans are determined by applying estimated loss factors to the portfolio based on management's evaluation and "risk grading" of the commercial loan portfolio. Reserves are provided for noncommercial loan categories using estimated loss factors applied to the total outstanding loan balance of each loan category. Specific reserves are determined on a loan-by-loan basis based on management's evaluation of the Bank's exposure for each credit, given the current payment status of the loan and the net market value of any underlying collateral.

There are two primary components considered in determining an appropriate level for the unallocated reserve. A portion of the unallocated reserve is established to cover the elements of imprecision and estimation risk inherent in the calculations of the specific reserves described above. The remaining portion of the unallocated reserve (inherent risk) is determined based upon management's evaluation of various conditions that are not directly measured by any other component of the allowance for loan losses, including current general economic and business conditions affecting key lending areas, credit quality trends, collateral values, loan volumes and concentrations, and results from credit reviews or external bank regulatory reviews.

While management uses the best information available to establish the allowance for loan losses, future adjustment to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the valuations or, if required by regulators, based upon information available to them at the time of their examinations. Such adjustments to original estimates, as necessary, are made in the period in which these factors and other relevant considerations indicate that loss levels may vary from previous estimates.

### **Internet Access to Corporate Documents**

Information about the Bank can be found on the Bank's website at [www.mstreetbank.com](http://www.mstreetbank.com). Under "Documents/Fed Filings" in the Investor Relations section of the website, the Bank posts its annual reports on

Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K, definitive proxy materials and any amendments to those documents as soon as reasonably practicable after they are filed with or furnished to the Board of Governors of the Federal Reserve System. All such filings are available free of charge.

**Item 3. Controls and Procedures.**

The Bank maintains a system of disclosure controls and procedures that is designed to ensure that material information is accumulated and communicated to management, including the Bank's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As required, management, with the participation of the Bank's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Bank's disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Bank's Chief Executive Officer and Chief Financial Officer concluded that the Bank's disclosure controls and procedures were operating effectively to ensure that information required to be disclosed by the Bank in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and the Board of Governors of the Federal Reserve System.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that the Bank's disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Bank to disclose material information otherwise required to be set forth in the Bank's periodic reports.

The Bank's management is also responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There were no changes in the Bank's internal control over financial reporting during the Bank's quarter ended June 30, 2005 that materially affected, or are reasonably likely to materially affect, the Bank's internal control over financial reporting.

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings.**

There are no material pending legal proceedings to which the Bank is a party or to which the Bank's property is subject.

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

None.

**Item 3. Defaults Upon Senior Securities.**

None.

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

The 2005 Annual Meeting of Shareholders of the Bank was held on May 18, 2005.

At the 2005 Annual Meeting, the following persons were elected to serve as Group I Directors of the Bank, to serve until the 2008 Annual Meeting, having received the following votes:

Name	For	Withheld
Jeff W. Dick	[ 668,865 ]	[ 5,500 ]
Donald H. Owens, Jr.	[ 667,765 ]	[ 6,600 ]
Jacqueline L. King	[ 667,865 ]	[ 6,500 ]
Paul Thomas Haddock	[ 659,505 ]	[ 14,860 ]

The following Group II and III Directors, whose terms expire in 2006 and 2007, continued in office: Frank M. Alston, Barbara Davis Blum, Thomas J. Chmelik, William A. Gatz, Kevin T. Keyes, Edward W. Merrow and Donna Miller.

Additionally, the shareholders voted to ratify the appointment of Cherry, Bekaert & Holland, L.L.P. as the Bank's independent public accountants for 2005 by the votes indicated below:

	For	Against	Abstain	Broker Non-Vote
Ratify Independent Accountants	[ 670,865 ]	[ 1,500 ]	[ 2,000 ]	[ - ]

No other matters were voted on during the meeting.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

Exhibits:

- 3.1 Amended and Restated Articles of Incorporation of MainStreet Bank (effective September 17, 2004) (incorporated by reference to Exhibit 2.1 to Form 10-SB filed with the Board of Governors of the Federal Reserve System on May 2, 2005)
- 3.2 Bylaws of MainStreet Bank (as amended through June 16, 2004) (incorporated by reference to Exhibit 2.2 to Form 10-SB filed with the Board of Governors of the Federal Reserve System on May 2, 2005)
- 31.1 Certification by principal executive officer pursuant to Rule 13a-14(a)
- 31.2 Certification by principal financial officer pursuant to Rule 13a-14(a)
- 32 Certification of principal executive officer and principal financial officer pursuant to 18 U.S.C. § 1350



## **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.

### **MAINSTREET BANK**

Date: August 15, 2005

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Jeff W. Dick  
Chief Executive Officer and President  
(principal executive officer)

Date: August 15, 2005

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Thomas J. Chmelik  
Chief Financial Officer  
(principal financial and accounting officer)

**CERTIFICATION**

I, Jeff W. Dick, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of MainStreet 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) 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
  - (c) 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.

Date: August 15, 2005

/s/ \_\_\_\_\_  
Jeff W. Dick, Chief Executive Officer and President

**CERTIFICATION**

I, Thomas J. Chmelik, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of MainStreet 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) 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
  - (c) 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.

Date: August 15, 2005

/S/ \_\_\_\_\_  
Thomas J. Chmelik, Chief Financial Officer

CERTIFICATION OF  
PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER

Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

The undersigned, as the Chief Executive Officer and Chief Financial Officer of MainStreet Bank, respectively, certify that, to the best of their knowledge and belief, the Quarterly Report on Form 10-QSB for the period ended June 30, 2005, which accompanies this certification, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of MainStreet Bank at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose. The undersigned expressly disclaims any obligation to update the foregoing certification except as required by law.

Date: August 15, 2005

/S/  
\_\_\_\_\_  
Jeff W. Dick  
Chief Executive Officer and President

Date: August 15, 2005

/S/  
\_\_\_\_\_  
Thomas J. Chmelik  
Chief Financial Officer