FIRST NATIONAL BANCORP, INC.

A BANK HOLDING COMPANY FOR

FIRST NATIONAL BANK
of Michigan

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS OF
FIRST NATIONAL BANCORP, INC.

April 12, 2007

FIRST NATIONAL BANCORP, INC., a Michigan bank holding company is submitting this Proxy Statement to its shareholders (the "***Shareholders***") in connection with the solicitation of proxies by the Board of Directors of First National Bancorp, Inc. (the "***Board***") for use at the 2007 Annual Meeting of Shareholders to be held at the offices of First National Bank of Michigan at 348 West Michigan Avenue, Kalamazoo, Michigan, at 4:30 p.m., eastern standard time, on April 12, 2007, and at any adjournments or postponements thereof (the "***Annual Meeting***").

As indicated in the accompanying letter to the Shareholders and Notice of the Annual Meeting, the Shareholders will be asked to consider and vote upon the following proposals (collectively, the "***Proposals***"):

1. Election of Clarence J. Batts, Eric V. Brown, Jr. (pending regulatory approval), James J. DeKruyter, James S. Gunderson, David L. Holmes, Benjamin T. Ipema, Larry D. Lueth, Sondra K. Phillips, John M. Schreuder, Michael N. Seelye, Daniel R. Smith and Joshua T. Weiner as the members of the First National Bancorp, Inc. Board of Directors for one year until their successors are elected and qualified or upon their earlier resignation or removal;

2. To ratify the appointment of Plante & Moran, LLP, Certified Public Accountants, as independent public accountants for First National Bancorp, Inc.; and

3. To transact such other business as may properly become before the meeting or any adjournments thereof.

(remainder of page intentionally left blank)

The foregoing introductory information concerning the Proposals provides only a very brief overview. While this overview may be useful to you as you review the more detailed information in the remainder of this Proxy Statement, you should not rely exclusively upon this overview. Instead, you should carefully review this entire Proxy Statement and the attached Annex.

GENERAL INFORMATION

Attending in person

Only the Shareholders, their proxy holders, and First National Bancorp, Inc. guests may attend the Annual Meeting.

Who may vote

The Shareholders of First National Bancorp, Inc., as recorded in our stock register on March 9, 2007 (the "***Record Date***"), may vote at the Annual Meeting. As of both the Record Date and the date of this Proxy Statement, First National Bancorp, Inc. had 1,800,000 issued and outstanding shares. Each such share is entitled to one vote on each of the matters presented for shareholder action at the Annual Meeting.

How to vote

You may either vote in person at the Annual Meeting or by proxy. We recommend you vote by proxy even if you plan to attend the Annual Meeting. You can always change your vote at the Annual Meeting.

How proxies work

Your proxy covers all shares registered in your name. By properly executing and returning your proxy, your shares will be voted at the Annual Meeting according to your instructions unless you revoke the proxy prior to or at the Annual Meeting. You may vote for all, some, or none of the director candidates and you may vote for, against or abstain from voting on the other proposals.

If you return your proxy without voting instructions, your shares will be voted FOR the election of the director nominees. If you return a properly executed proxy, the persons named as proxy holders will have discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting.

To ensure your proxy is received prior to the Annual Meeting, please return it no later than April 6, 2007. If your proxy is not received prior to the Annual Meeting, your shares will not be voted at the Annual Meeting unless they are voted in person at the Annual Meeting.

Revoking a proxy

The grant of a proxy on the enclosed form of proxy does not preclude you from voting in person or otherwise revoking a proxy. Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy. You may revoke your proxy before it is voted by:

- submitting a new proxy with a later date;
- notifying First National Bancorp, Inc.'s Secretary in writing before the Annual Meeting; or
- voting in person at the Annual Meeting.

Quorum

In order to carry on the business of the Annual Meeting, we must have a quorum. This means at least a majority of the outstanding shares of First National Bancorp, Inc. eligible to vote at the Annual Meeting must be represented at the Annual Meeting by proxy or in person.

Votes needed

The 12 director candidates who receive the most votes will be elected to fill the 12 seats on the Board. Approval of the other proposal requires the favorable vote of a majority of the votes cast. Only votes for or against a proposal count. Abstentions count for quorum purposes but not for voting purposes.

As of the date of this Proxy Statement, directors and officers of First National Bancorp, Inc. and their affiliates were not the beneficial owners of greater than a majority of the outstanding shares.

BUSINESS

First National Bancorp, Inc. is a Michigan bank holding company that was incorporated on July 7, 2005 to organize and serve as the holding company for First National Bank of Michigan (the "***Bank***"), a new national bank located at 348 West Michigan Avenue, Kalamazoo, Michigan 49007. First National Bancorp, Inc. received approval from the Federal Reserve Board to become a bank holding company and acquired all of the stock of the Bank. The Bank received regulatory approval to open from the Office of the Comptroller of the Currency and for deposit insurance with the Federal Deposit Insurance Corporation. The Bank focuses on the local community, emphasizing personal service to individuals and businesses in Kalamazoo County, Michigan.

The Bank offers convenient service, local decision-making and competitively priced deposit and loan products in its primary service area. By focusing its operations on the communities it serves, the Bank should be able to respond to changes in the market more quickly than large non-local institutions.

PROPOSAL 1 - ELECTION OF DIRECTORS

First National Bancorp, Inc.'s Board of Directors currently consists of 12 members who serve one-year terms. Therefore, all 12 seats are reelected each year. The 12 director nominees listed below, all of whom are current directors of First National Bancorp, Inc., were nominated by the Board to fill the 12 Board seats for the upcoming year. Biographical information on each of the nominees is given below. All director nominees have indicated their willingness to serve on the Board if elected. If, prior to the Annual Meeting, a director nominee determines that he or she will be unable to serve on the Board for the upcoming year, your proxy authorizes the proxy holders to vote your shares for a replacement nominee if one is selected.

CLARENCE J. BATTS. Mr. Batts, a certified public accountant, is Controller and Manager of Tax and Special Services for AZO Services, Inc., a management and accounting firm based in Kalamazoo, Michigan. AZO Services, Inc. leases employees and provides executive management for the Balkema group of companies. The Balkema group of companies are involved in the real estate development and construction, aggregate production and sales, and waste disposal industries in Michigan and Indiana. In his position at AZO, Mr. Batts directs and manages the extensive investment portfolio, tax compliance, including audits and litigation, employee benefits, and risk management. For AZO, he has developed and administered the self-funded Workmen's Compensation program in Indiana and Michigan, a property and casualty captive insurance company and an environmental captive insurance company. Mr. Batts served on the Business Development Board of Irwin Bank and Trust Company in Kalamazoo from February 2004 to September 2005. Previously, Mr. Batts served as president of the Board of the United Construction Workers Insurance Fund, a Taft-Hartley trust providing health insurance benefits to over 500 employees and their families for several west Michigan construction firms. Mr. Batts has worked for AZO or its affiliates since 1976, and prior thereto was with Beene, Garter & Orchard, CPA's from 1971 to 1976. Mr. Batts served a term on the Board of Junior Achievement of Southwest Michigan, and is currently on the Elder Board of the Calvary Reformed Church in Kalamazoo, Michigan.

ERIC V. BROWN, JR. Mr. Brown is a principal in the law firm of Miller Canfield Paddock and Stone, PLC. Mr. Brown is a broad-based business counselor whose practice focuses on mergers and acquisitions, business combinations, joint ventures, corporate governance, and corporate finance. He has served as an advisor and counselor in a substantial number of business transactions for both private and public companies as well as the organization of the Bank, First National Bancorp, Inc. and a venture capital firm. He served on the boards of two other banks and bank holding companies in Michigan for a period in excess of 20 years. He has been active in the Business Law Section of the American Bar Association for the last 10 years, including participation as a regular member of the Negotiated Acquisitions Committee. As such, he is on the editorial board of a task force which published a Model Stock Purchase Agreement, with commentary, in 1995, and published a Model Asset Purchase Agreement, with commentary, in 2000. He has also been active with a task force which has published a Model Joint Venture Agreement. He is listed in the Corporate, Mergers & Acquisitions, and Securities Law Sections of the 2003-04, 2005-06 and 2006-07 editions of The Best Lawyers in America.

JAMES J. DEKRUYTER. Now retired, Mr. DeKruyter founded Michigan Disposal Service Corporation in Kalamazoo, Michigan, which he operated until it was sold in 1993. His widespread knowledge of the Kalamazoo market and substantial business contacts will provide an active source of business for the Bank. He has served many volunteer organizations in Kalamazoo, including the Kalamazoo YMCA and the national board of Youth for Christ. Mr. DeKruyter also served as director of Michigan National Bank - Kalamazoo.

JAMES S. GUNDERSON. Mr. Gunderson was the Founder and President of Engineered Packaging Systems (sold to Alco Standard in 1996). Currently, he serves on the Board of Bronson Healthcare Group (past Chairman) in Kalamazoo, Michigan. Mr. Gunderson has served numerous community organizations, including Kalamazoo County Chamber of Commerce (past Chairman) and the Kalamazoo County Chamber Foundation. Mr. Gunderson's business experience and knowledge of the Kalamazoo business environment will be valuable resources for the Bank.

DAVID L. HOLMES. Mr. Holmes is a Principal and General Counsel of Phoenix Properties, L.L.C., a real estate management and development firm with approximately 65 employees headquartered in Kalamazoo, Michigan. Prior to 1995, Mr. Holmes was in private practice as a Partner in the Kalamazoo, Michigan office of Howard & Howard Attorneys, P.C. Through these professional endeavors, Mr. Holmes has gained valuable expertise that will be of benefit to the Bank and the community it will serve. Mr. Holmes has also been an active community volunteer, including having served as President of the LIFT Foundation, a non-profit corporation providing housing to low income families, and as Chairperson of the United Way Pacesetter Campaign; he is currently a member of the Finance Council at St. Catherine of Siena Parish.

BENJAMIN T. IPEMA. Mr. Ipema is an owner and officer of Secant Technologies, Inc., which provides information technology hardware and software to diverse industries; and President of QuikWall, a subsidiary of Job Management, which provides convention exhibit design and construction services. Mr. Ipema's diverse experience will provide a unique and valuable resource for the Bank. Mr. Ipema has served many charitable and civic organizations in Kalamazoo, including Young Life Kalamazoo, Southern Heights Church Council, Kalamazoo Christian Schools and various organizations dedicated to education, poverty and housing.

LARRY D. LUETH. Until December 2005, Mr. Lueth served as Regional President for the Kalamazoo Region for National City Bank. He also was the Manager of Corporate Banking for Southwest Michigan. Prior to that Mr. Lueth served as Senior Vice President, Manager of Corporate Banking for Southwest Michigan for National City Bank and he held the same title for First of America Bank Corporation in Kalamazoo until it merged with National City Corporation in 1998. Mr. Lueth had worked his entire working career for First of America Bank. Mr. Lueth has served on many civic organizations in the Kalamazoo region.

SONDRA K. PHILLIPS. Sondra K. Phillips is the sole owner of SKP Design, a firm she founded 10 years ago. SKP Design specializes in commercial interior design. Sondra graduated from the University of Michigan in 1989. Prior to starting SKP Design, Sondra held positions with Tilton & Lewis in Chicago, Eckert-Wordell Architects in Kalamazoo and First of America Bank in Kalamazoo. Community activities include serving on the board of the Kalamazoo

Symphony Orchestra, the Advisory Board to the Interior Design program at Western Michigan University, the committee for Downtown Development Authority Grant Review and formerly as a member of the Kalamazoo County Regional Chamber of Commerce board where she was co-chair of the Chamber's Centennial Committee. Sondra was recognized in the Business Review's Leaders Under 40 in 2006 and has taught as an Adjunct Professor at WMU. Sondra's passion for marketing, her small business perspective and community connections as a lifelong resident make her an asset to First National Bank of Michigan Board.

JOHN M. SCHREUDER. Until January 2005, Mr. Schreuder served as the President of the Mid Michigan and Southwest Michigan Regions for National City Bank. He also served as President of First of America Bank - Michigan, N.A. from 1990 to 1998. His extensive banking experience demonstrates his considerable qualifications to serve as Chairman & CEO of the Bank. Mr. Schreuder has served many civic organizations, including the Kalamazoo United Way, Western Michigan University Foundation, Michigan Bankers Association and the Gilmore Keyboard Festival, headquartered in Kalamazoo, Michigan

MICHAEL N. SEELYE. Mr. Mike Seelye is President and sole owner of Don Seelye Ford, Inc., Seelye-Wright KIA West Main and VP and partner in several other regional automotive dealerships. His day to day activities involve managing real estate operations including commercial, residential home building and several local residential developments. Mike has served and chaired the American Heart Association Board, Kalamazoo Symphony Board, American Cancer Board Chair, Big Brothers/Sisters Chair and Capital Campaign Co-Chair, United Way Board and Campaign Chair as well as many other charitable organizations in the Kalamazoo Community.

DANIEL R. SMITH. Mr. Smith was the Chairman and Chief Executive Officer of First of America Bank Corporation, headquartered in Kalamazoo, Michigan from 1985 to 1996, prior to its acquisition by National City Corporation. He is a Past Chairman of American Bankers Association and the Michigan Bankers Association. He also served as a member of the Board of Directors of the Federal Reserve Bank of Chicago, Detroit Branch. Mr. Smith's 40 years of banking experience will be an invaluable resource to the Bank with regard to loan and deposit generation, public relations and operational activities. Mr. Smith has served numerous charitable and civic organizations in Kalamazoo.

JOSHUA T. WEINER. Mr. Weiner is the Chief Executive Officer of the Meyer C. Weiner Company, a real estate and development firm headquartered in Portage, Michigan. Mr. Weiner has developed a considerable amount of business experience and knowledge of many industries through his work at the Meyer C. Weiner Company that will serve as an extremely valuable resource for the Bank, as will his substantial knowledge of the Kalamazoo market. Mr. Weiner has extensive experience in the banking industry through his work on various regional and development boards for National City Bank and Irwin Union Bank and Trust Company. Mr. Weiner has served numerous charitable and civic causes including the Kalamazoo Regional Chamber of Commerce, the Western Michigan University Foundation, the United Way, the Southwest Michigan Jewish Federation and the Kalamazoo Civic.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF THE NOMINEES.

PROPOSAL 2 – RATIFICATION OF PLANTE & MORAN, LLP AS INDEPENDENT PUBLIC ACCOUNTANTS

At its meeting on February 8, 2007, the Board of Directors of First National Bancorp, Inc. appointed Plante & Moran, LLP, Certified Public Accountants, as independent public accountants for the holding company for the upcoming year.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE RATIFICATION OF PLANTE & MORAN, LLP AS INDEPENDENT PUBLIC ACCOUNTANTS.

OTHER MATTERS

The Shareholders of First National Bancorp, Inc. will also consider and vote upon such other matters as may properly be brought before the Annual Meeting or any adjournments or postponements thereof. We do not have any knowledge of any other matters to be presented at the Annual Meeting.

BENEFICIAL* STOCK OWNERSHIP

The following table sets forth information as of March 9, 2007 regarding each person (including any group as that term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934) who was known to be the beneficial (the right to vote shares) owner of more than 5% of First National Bancorp, Inc.'s common stock as of that date, each of the directors (including each nominee for election as a director), each of our executive officers, and all directors and executive officers as a group.

Name of Beneficial Owner	Common Stock	Rights to Acquire[1]	Restricted Stock	Approximate Percent of Common Stock[2]
AZO Services, Inc.	111,050	0	0	6.17
Clarence J. Batts	5,200	0	0	0.29
Eric V. Brown, Jr.	20,000	0	0	1.11
James J. DeKruyter	66,050	0	0	3.67
James S. Gunderson	30,000	0	0	1.67
David L. Holmes	20,000	0	0	1.11
Benjamin T. Ipema	30,000	0	0	1.67
Larry D. Lueth	10,000	15,000	0	0.56
Sondra K. Phillips	500	0	0	0.03
John M. Schreuder	40,000	35,000	0	2.22
Michael N. Seelye	25,000	0	0	1.39
Daniel R. Smith	30,000	0	0	1.67
Joshua T. Weiner	100,000	0	0	5.56
Michael F. Dimond	5,000	7,500	0	0.28

* "Beneficial" for the purposes of this table means the right to vote shares of First National Bancorp, Inc.

(1) The numbers in the "Rights to Acquire" column represent the shares that may be acquired by exercise of stock options granted under the First National Bancorp, Inc. 2006 Stock Option and Restricted Stock Plan. These numbers are not reflected in the "Approximate Percent of Common Stock" column.

(2) Based on 1,800,000 shares issued and outstanding as of March 9, 2007.

EXECUTIVE OFFICERS

First National Bancorp, Inc.'s current executive officers are as follows:

Name	Position with First National Bancorp, Inc.	Officer Since
John M. Schreuder	Chairman/CEO and President	March 23, 2006
Larry D. Lueth	Vice President	March 23, 2006
Eric V. Brown, Jr.	Secretary	March 23, 2006
Michael F. Dimond	Treasurer/CFO	March 23, 2006

FINANCIAL INFORMATION

The Profit and Loss Statement of First National Bancorp, Inc. for fiscal year 2006 and the Balance Sheet as of December 31, 2006 is attached hereto in Annex A.

MISCELLANEOUS

Solicitation of Proxies

First National Bancorp, Inc. will bear the cost of the solicitation of proxies from Shareholders, including the cost of printing and mailing this Proxy Statement and the accompanying materials. In addition to solicitation by mail, proxies may be solicited in person, or by telephone, facsimile or otherwise in writing or electronic transmission, by directors, officers and regular employees of First National Bancorp, Inc. (none of whom will be paid any additional compensation for such services).

Interests of Certain Persons in the Proposals

You should note that that certain directors and members of management may have certain interests in the Proposals in addition to their interests as Shareholders of First National Bancorp, Inc. The Board was aware of any such interests and considered them, among other matters, in approving the Proposals and in recommending Shareholder approval of the Proposals.

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ANNEX A

First National Bancorp, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2006

First National Bancorp, Inc. and Subsidiary

Contents

plante moran

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Independent Auditor's Report

To the Board of Directors
First National Bancorp, Inc.
and Subsidiary

We have audited the accompanying consolidated balance sheet of First National Bancorp, Inc. and Subsidiary (the "Company") as of December 31, 2006 and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First National Bancorp, Inc. and Subsidiary at December 31, 2006 and the consolidated results of its operations, changes in stockholders' equity, and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 12, 2007

First National Bancorp, Inc. and Subsidiary

Consolidated Balance Sheet
December 31, 2006

Assets		
Cash and due from banks	$	736,581
Federal funds sold		2,553,382
Total cash and cash equivalents		3,289,963
Investment securities - Available for sale (Note 2)		11,162,704
Federal reserve bank stock - At cost		484,900
Loans - Net of allowance for loan losses (Note 3)		17,031,428
Premises and equipment (Note 4)		557,068
Accrued interest receivable		241,565
Other assets		19,839
Total assets	**$**	**32,787,467**
Liabilities and Stockholders' Equity		
Liabilities		
Deposits (Note 5):		
Noninterest-bearing	$	3,401,108
Interest-bearing		12,306,758
Total deposits		15,707,866
Accrued interest payable and other liabilities		53,001
Total liabilities		15,760,867
Stockholders' Equity		
Common stock - No par value:		
Authorized - 2,500,000 shares		
Issued and outstanding - 1,800,000 shares		17,966,903
Additional paid-in capital		26,827
Accumulated deficit		(977,182)
Accumulated other comprehensive income		10,052
Total stockholders' equity		17,026,600
Total liabilities and stockholders' equity	**$**	**32,787,467**

See Notes to Consolidated Financial Statements.

First National Bancorp, Inc. and Subsidiary

Consolidated Statement of Operations
Year Ended December 31, 2006

Interest Income	
Loans - Including fees	$ 426,402
Debt securities - Taxable	281,128
Dividends on FRB stock	21,791
Federal funds and other	572,413
Total interest income	1,301,734
Interest Expense	288,295
Net Interest Income	1,013,439
Provision for Loan Losses (Note 3)	260,700
Net Interest Income After Provision for Loan Losses	752,739
Noninterest Income	
Service charges and fees	5,488
Net gain on sale of mortgage loans	29,617
Commission income	2,759
Total noninterest income	37,864
Noninterest Expenses	
Salaries and employee benefits	801,161
Occupancy and equipment	138,939
Data processing	71,885
Professional fees	115,861
Start-up and organizational costs	332,523
Other expenses	262,935
Total noninterest expenses	1,723,304
Net Loss	**$ (932,701)**
Earnings per Share	
Basic	**$ (0.52)**
Diluted	**$ (0.52)**

See Notes to Consolidated Financial Statements.

First National Bancorp, Inc. and Subsidiary

Consolidated Statement of Stockholders' Equity
Year Ended December 31, 2006

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balance - January 1, 2006	33,600	$ 329,443	$ -	$ (44,481)	$ -	$ 284,962
Comprehensive income (loss):						
Net loss	-	-	-	(932,701)	-	(932,701)
Unrealized gain on securities	-	-	-	-	10,052	10,052
Total comprehensive loss						(922,649)
Issuance of common stock - Net of related costs of $26,540	1,766,400	17,637,460	-	-	-	17,637,460
Stock-based compensation	-	-	26,827	-	-	26,827
Balance - December 31, 2006	**1,800,000**	**$ 17,966,903**	**$ 26,827**	**$ (977,182)**	**$ 10,052**	**$ 17,026,600**

See Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows
Year Ended December 31, 2006

Cash Flows from Operating Activities	
Net loss	$ (932,701)
Adjustments to reconcile net loss to net cash from operating activities:	
Depreciation	73,484
Provision for loan losses	260,700
Accretion and amortization of securities	28,620
Stock-based compensation expense	26,827
Gain on sale of mortgages	(29,617)
Loans originated for sale	(1,991,039)
Proceeds from loan sales	2,020,656
Net change in:	
Accrued interest receivable	(241,565)
Other assets	60,383
Accrued interest payable	18,545
Accrued liabilities	34,456
Net cash used in operating activities	(671,251)
Cash Flows from Investing Activities	
Purchase of FRB stock	(484,900)
Activity in available-for-sale securities:	
Maturities, prepayments, and calls	1,610,147
Purchases	(12,791,419)
Net increase in gross loans	(17,292,128)
Additions to premises and equipment	(625,332)
Net cash used in investing activities	(29,583,632)
Cash Flows from Financing Activities	
Net increase in deposits	15,707,866
Proceeds from issuance of common stock	17,637,460
Net cash provided by financing activities	33,345,326
Net Increase in Cash and Cash Equivalents	3,090,443
Cash and Cash Equivalents - Beginning of year	199,520
Cash and Cash Equivalents - End of year	**$ 3,289,963**
Supplemental Cash Flow Information - Cash paid for	
Interest	$ 269,750
Income taxes	-

Note 1 - Nature of Business and Significant Accounting Policies

Organization - First National Bancorp, Inc. (the "Company") was incorporated on July 7, 2005. The Company was formed to operate a new bank, First National Bank of Michigan (the "Bank") in Kalamazoo, Michigan. The Company raised funds through private stock offerings which closed in April 2006 and the Bank was capitalized and commenced operations on April 12, 2006.

Principles of Consolidation - The consolidated financial statements include the accounts of First National Bancorp, Inc. and its wholly owned subsidiary, First National Bank of Michigan. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of Operations - The Bank provides a variety of financial services to individuals and small businesses through its office in Kalamazoo, Michigan. Its primary deposit products are savings and term certificate accounts and its primary lending products are commercial and consumer loans.

Cash and Cash Equivalents - For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, cash due from banks, and federal funds sold which mature within 90 days.

Securities - Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans - The Company grants mortgage, commercial, and consumer loans to customers. A substantial portion of the loan portfolio is represented by commercial loans in southwest Michigan. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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. Loan losses 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) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is 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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures.

Banking Premises and Equipment - Leasehold improvements are carried at cost less accumulated depreciation computed on the straight-line method over the lease term. Furniture and fixtures and data processing equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

Comprehensive Income - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income. As of December 31, 2006, unrealized holdings gains on available-for-sale securities totaled $10,052.

Recent Accounting Pronouncements - In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). This statement clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company has not determined the impact the adoption of SFAS No. 157 will have on the consolidated financial statements.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* - an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires, among other matters, that the Company recognize in its consolidated financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of the Company's 2007 fiscal year, with any cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on the financial statements.

Income Taxes - Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the various temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. A valuation allowance is recorded against the net deferred tax asset based on the Company's estimates of taxable income and the period over which its deferred tax assets will be recoverable. If it is determined by the Company that it more likely than not that future taxable income will not be sufficient to realize such tax benefits, a valuation allowance is recorded against the net deferred tax asset.

Use of Estimates - In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the fair market value of available-for-sale securities, and the valuation allowance for deferred tax assets.

Off-balance-sheet Instruments - In the ordinary course of business, the Company has entered into commitments under commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Stock Option Plan and Adoption of SFAS 123R - In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123R, *Share-based Payment* (SFAS 123R), a revision to Statement No. 123, *Accounting for Stock-based Compensation*. This standard requires the Company to measure the cost of employee services received in exchange for equity awards, including stock options, based on the grant date fair value of the awards. The cost will be recognized as compensation expense over the vesting period of the awards.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The standard provides for a modified prospective application. Under this method, the Company recognizes compensation cost for equity-based compensation for all new grants.

The following table shows the effects on net loss in 2006 had compensation cost been measured using the fair value method previously calculated for disclosure purposes:

Net loss - As reported	$	(932,701)
Add compensation costs included in net income		26,827
Less compensation costs based on the fair value method		(26,827)
Pro forma net loss	$	(932,701)

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: dividend yield of $0, risk-free interest rate of 4.71 percent, expected life of 10 years, and expected volatility of 20 percent.

Earnings per Common Share - Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional common shares that would have been outstanding if potential dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. However, there have been no dilutive common shares issued as of December 31, 2006. Potential common shares that may be issued by the Company relate solely to outstanding stock options and are determined using the treasury stock method.

Earnings per common share have been computed based on the following:

Net loss	$	(932,701)
Average number of common shares outstanding		1,800,000

Note 2 - Securities

The amortized cost and fair value of securities, with gross unrealized gains and losses, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. government and federal agency	$ 4,151,205	$ 4,096	$ (3,332)	$ 4,151,969
Corporate	499,696	-	(201)	499,495
Collateralized mortgage obligations	3,741,811	6,419	(1,564)	3,746,666
State and municipal	2,759,940	4,634	-	2,764,574
Total available-for-sale securities	$ 11,152,652	$ 15,149	$ (5,097)	$ 11,162,704

At December 31, 2006, securities with a carrying value of $6,293,767 were pledged to secure federal funds.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2006 are as follows:

	Held to Maturity	
	Amortized Cost	Market Value
Due in one year or less	$ 5,942,045	$ 5,940,563
Due in one through five years	1,468,796	1,475,475
Due after five years through ten years	-	-
Due after ten years	-	-
Total	7,410,841	7,416,038
Collateralized mortgage obligations	3,741,811	3,746,666
Total	$ 11,152,652	$ 11,162,704

Note 2 - Securities (Continued)

There are no securities with unrealized losses over 12 consecutive months, as all securities were purchased during 2006. Unrealized losses on securities have not been recognized into income because the issuers' bonds are of high credit quality, we have the intent and ability to hold the securities for the foreseeable future, and the decline in fair value is primarily due to increased market interest rates. The fair value is expected to recover as the bonds approach the maturity date.

Securities totaling $484,900 at December 31, 2006 consist of restricted Federal Reserve bank stock. These stocks are carried at cost, which approximates market value.

Note 3 - Loans

A summary of the balances of loans is as follows:

Mortgage loans on real estate:	
Residential 1-4 family	$ 1,172,167
Commercial	11,192,515
Construction	306,365
Equity lines of credit	1,432,061
Total mortgage loans on real estate	14,103,108
Commercial loans	2,960,734
Consumer installment loans	228,286
Total loans	17,292,128
Less allowances for loan losses	260,700
Net loans	$ 17,031,428

An analysis of the allowance for loan losses is as follows:

Balance at beginning of year	$ -
Provision for loan losses	260,700
Loans charged off	-
Balance at end of year	$ 260,700

At December 31, 2006, there were no significant loans considered to be impaired.

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates amounting to $4,391,601 at December 31, 2006. During the year ended December 31, 2006, total principal additions were $4,466,254 and total principal payments were $74,653.

Note 4 - Bank Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows:

Leasehold improvements	$ 228,744
Furniture, fixtures, and equipment	401,808
Total cost	630,552
Accumulated depreciation	(73,484)
Total	$ 557,068

Pursuant to the terms of a noncancelable lease agreement in effect at December 31, 2006 pertaining to banking premise, future minimum rent commitments are as follows:

2007	$ 68,740
2008	70,803
2009	72,927
2010	75,114
2011	77,368
Thereafter	246,310
Total	$ 611,262

The leases contain options to extend for a total of four years. The cost of such rentals is not included above. Total rent expense for the year ended December 31, 2006 amounted to $57,142.

During 2006, the Company purchased a server and other data processing equipment approximating $110,000 from a company partially owned by a board member.

Note 5 - Deposits

The following is a summary of the distribution of deposits at December 31, 2006:

Noninterest-bearing deposits	$ 3,401,108
NOW accounts	1,880,450
Savings and money market accounts	4,096,593
Time:	
Under $100,000	742,947
$100,000 and over	5,586,768
Total	$ 15,707,866

Note 5 - Deposits (Continued)

At December 31, 2006, the scheduled maturities of time deposits are as follows:

2007		$ 5,134,186
2008		-
2009		595,000
2010		-
2011		600,529
	Total	$ 6,329,715

Note 6 - Income Taxes

The Company has net operating loss carryforwards of approximately $370,000 generated from inception through December 31, 2006 that are available to reduce future taxable income through the years ending December 31, 2025.

The components of the net deferred tax assets, included in other assets, are as follows:

Deferred tax assets:	
Allowance for loan losses	$ 89,000
Start-up costs	114,000
Net operating loss	126,000
Total deferred tax assets	329,000
Deferred tax liabilities:	
Net unrealized gain on securities available for sale	3,418
Other	10,000
Total deferred tax liabilities	13,418
Net deferred tax assets before valuation allowance	315,582
Valuation allowance	(315,582)
Net deferred tax assets	$ -

The allocation of income taxes between current and deferred portions is as follows:

Deferred income tax benefit	$ 315,582
Change in valuation allowance	(315,582)
Total income tax expense	$ -

Note 7 - Stock Option Plan

On December 31, 2006, the Company has one share-based compensation plan, which is described below. The compensation cost that has been charged against income for the plan was $26,827 for 2006. The total income tax benefit recognized in the consolidated statement of operations for share-based compensation arrangements was $0 for 2006.

The Company's 2006 stock option and restricted stock plan (the "Plan"), which is stockholder approved and monitored by the board, permits the grant of stock options to its employees for up to 150,000 shares of common stock. The Company believes that such awards better align the interests of its employees with those of its stockholders. Option awards are generally granted with an exercise price equal to the market price of the Company's stock at the date of grant; those option awards generally vest over three years of continuous service.

The fair value of each option award is estimated on the date of grant using a Black Scholes option valuation model that uses the weighted average assumptions noted in the following table. Expected volatilities are based on similar volatility of comparable denovo banks. The Company uses comparable denovo bank data to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The weighted-average value of each option granted was $3.86 per option.

Range of expected volatility	20
Range of expected dividends	0
Expected term (in years)	10
Risk-free rate	4.71%

A summary of option activity under the Plan for the year ended December 31, 2006 is presented below:

Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding at January 1, 2006	-	$ -	-
Granted	67,500	10.00	10.0
Outstanding at December 31, 2006	67,500	$ 10.00	10.0

No options have vested or have been excerised as of December 31, 2006.

Note 7 - Stock Option Plan (Continued)

As of December 31, 2006, there was $236,383 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a period of three years.

Note 8 - Off-balance-sheet Activities

Credit-related Financial Instruments - The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2006, the following financial instruments were outstanding whose contract amounts represent credit risk:

Commitments to grant loans	$ 5,970,000
Unfunded commitments under lines of credit	11,321,441
Commercial and standby letters of credit	200,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Commercial and standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are used primarily to support public and private borrowing arrangements. Essentially, all letters of credit issued have expiration dates within one year. The credit risk involved is extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary.

Note 8 - Off-balance-sheet Activities (Continued)

Collateral Requirements - To reduce credit risk related to the use of credit-related financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained are based on the Company's credit evaluation of the customer. Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant, and equipment, and real estate.

If the counterparty does not have the right and ability to redeem the collateral or the Company is permitted to sell or repledge the collateral on short notice, the Company records the collateral in its balance sheet at fair value with a corresponding obligation to return it.

Legal Contingencies - Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's financial statements.

Note 9 - Minimum Regulatory Capital Requirements

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2006, that the Bank met all capital adequacy requirements to which they are subject.

Note 9 - Minimum Regulatory Capital Requirements (Continued)

As of December 31, 2006, the most recent notification from the Bank's primary regulator categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, an institution must maintain minimum total risk-based, Tier I risked-based, and Tier I leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Bank's actual capital amounts and ratios as of December 31, 2006 are also presented in the table.

	Actual		Capital Adequacy Purposes		Well-capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio (Percent)	Amount	Ratio (Percent)	Amount	Ratio (Percent)
As of December 31, 2006 (000s omitted):						
Total capital to risk-weighted assets	$ 16,977	74.7	$ 1,818	8.00	$ 2,272	10.00
Tier I capital to risk-weighted assets	16,716	73.5	909	4.00	1,363	6.00
Tier I capital to average assets	16,716	51.1	1,309	4.00	1,636	5.00

Note 10 - Restrictions on Dividends, Loans, and Advances

Banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Company.

Prior approval of the Bank's federal regulator is required if the total dividends declared by the Bank in a calendar year exceed the sum of the net profits of the Bank for the preceding three years, less any required transfers to surplus. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum standards. At December 31, 2006, the Bank does not have retained earnings available for the payment of dividends. Accordingly, all of the Company's investment in the Bank was restricted at December 31, 2006.

Loans or advances made by the Bank to the Company are generally liminted to 10 percent of the Bank's capital stock and surplus. Accordingly, at December 31, 2006, Bank funds available for loans or advances to the Company amounted to $1,671,600.

Loans made by the Bank to any one customer are generally limited to 15 percent of unconsolidated bank equity. At December 31, 2006, this limits the loans made by the Bank to any one customer to $2,500,000.