



April 6, 2010

Dear Shareholders and Customers of First Sound Bank:

On March 4, 2010, First Sound Bank (the "Bank") entered into a Stipulation and Consent to the Issuance of a Consent Order with the Federal Deposit Insurance Corporation ("FDIC") and the Washington Department of Financial Institutions ("DFI"). Under the terms of the Consent Order the Bank has agreed to:

- Have and retain a qualified management team.
- Within 120 days from the effective date of the Order, and continuing thereafter, maintain a Tier 1 Leverage Capital Ratio that equals or exceeds 10%.
- Secure approval of the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Director of Banks of the Washington Department of Financial Institutions ("Director of Banks") in writing when it proposes to add or replace any individual on the Board, or employ any individual to serve as a senior executive officer, or change the responsibilities of any existing senior executive officer to include the responsibilities of another senior executive officer position.
- Decrease the loans classified as "Doubtful" or "Substandard" over the next 12 months with specific requirements at four and seven months.
- Refrain from extending any additional credit to borrower's whose loans have been charged-off or are classified as "Loss" and are uncollected.
- Refrain from extending any additional credit to, or for the benefit of, any borrower who has a loan, or other extension of credit, classified in whole, or in part, as "Doubtful" or "Substandard" without collecting all past due interest.
- Revise, adopt and implement a comprehensive policy for determining the adequacy of its allowance for loan and lease losses.
- Develop a written plan to reduce its concentration of loans or other extension of credit advanced, directly or indirectly, to or for the benefit of, any borrowers in the area of commercial real estate, with particular emphasis on those borrowers in the construction and land development area.
- Develop a three-year strategic plan.
- Develop and implement a written plan addressing retention of profits, reducing overhead expenses, and setting forth a comprehensive budget covering the period January 1, 2010 to December 31, 2012.
- Revise and adopt a written liquidity and funds management policy.
- Refrain from paying dividends without the prior consent of the Regional Director and Director of Banks.
- Not increase the amount of brokered deposits, and provide the Regional Director and Director of Banks a written plan for eliminating its reliance on brokered deposits.
- Provide progress reports to the Regional Director and Director of Banks.

It is important to note that the FDIC and DFI did not impose or recommend any civil money penalties on the Bank, and the Bank has not admitted any wrongdoing in entering into the Consent Order. The Consent Order entered into with the regulators will be available on the FDIC website near the end of April in addition to being posted on the First Sound Bank website.

The Bank continues to be negatively impacted by losses incurred in its leasing division. The Bank is pursuing litigation against LARASCO, Inc. (formerly Puget Sound Leasing Co., Inc.) and its owners relating to issues surrounding the Bank's purchase of leases from LARASCO, Inc. The matter is set for trial on May 10, 2010. Based on this continuing litigation, we expect an adjustment to our December 31, 2009 financial results will be required. The Bank also anticipates that it will need to raise additional capital prior to the end of 2010; how much will depend to some degree on the outcome of the litigation.

The Bank is working diligently to comply in all respects with the Consent Order. As we put forth those efforts, we remain unwavering in our commitment to you, our customers and shareholders. We look forward to continuing to serve you in all areas, with our focus on banking the small to medium sized business community: leading with cash management and deposit products, making loans, establishing lines of credit and processing banking transactions. Please be assured as well that all of your deposits at the Bank remain fully-insured to the levels covered by the FDIC.

As we all take the necessary steps to work through this difficult economic period, we expect to emerge an even stronger and more resilient bank. We look forward to serving you not only today, but in the years to come.

Sincerely,

A handwritten signature in blue ink, appearing to read "Don L. Hirtzel".

Don L. Hirtzel  
Chairman & CEO

A handwritten signature in blue ink, appearing to read "Steven M. Shaughnessy".

Steven M. Shaughnessy  
President & COO