

1205921

FORM D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0076
Expires:	May 31, 2005
Estimated average burden hours per response.....	16.00

FORM D

NOTICE OF SALE OF SECURITIES
PURSUANT TO REGULATION D,
SECTION 4(6), AND/OR
UNIFORM LIMITED OFFERING EXEMPTION

SEC USE ONLY	
Prefix	Serial
DATE RECEIVED	



02064199

Filing Under (Check box(es) that apply): Rule 504 Rule 505 Rule 506 Section 4(6) ULOE

Type of Filing: New Filing Amendment



A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer (check if this is an amendment and name has changed, and indicate change.)

PMI Financial Holdings Corp.

Address of Executive Offices (Number and Street, City, State, Zip Code)

202 2nd Ave So., Suite 1, Great Falls, MT 59405

Telephone Number (Including Area Code)

(406) 268-1888

Address of Principal Business Operations (if different from Executive Offices) (Number and Street, City, State, Zip Code)

N/A

Telephone Number (Including Area Code)

Brief Description of Business
Bank Holding Company Organization

Type of Business Organization

- corporation
- limited partnership, already formed
- other (please specify):
- business trust
- limited partnership, to be formed

Actual or Estimated Date of Incorporation or Organization: Month Year Actual Estimated

Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State: CN for Canada; FN for other foreign jurisdiction)

PROCESSED
NOV 15 2002
THOMSON
FINANCIAL

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where To File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predicated on the filing of a federal notice.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Zanto, Lewis F.

Business or Residence Address (Number and Street, City, State, Zip Code)

P.O. Box 59, Highwood, MT 59450

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Daily, Leighanne S.

Business or Residence Address (Number and Street, City, State, Zip Code)

3112 Fern Drive, Great Falls, MT 59404

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Jennings, Kenneth

Business or Residence Address (Number and Street, City, State, Zip Code)

142 Private Rd #1279, Morgan, TX 76671

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Bahny, Greg

Business or Residence Address (Number and Street, City, State, Zip Code)

2804 Billings Ave, Helena, MT 59601

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Haagenson, Jim

Business or Residence Address (Number and Street, City, State, Zip Code)

3635 10th Ave So., Great Falls, MT 59405

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Macek, Mark

Business or Residence Address (Number and Street, City, State, Zip Code)

920 Central Avenue, Great Falls, MT 59405

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Dutton, Ernie

Business or Residence Address (Number and Street, City, State, Zip Code)

2029 Grand Avenue, Billings, MT 59102

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:

- Each promoter of the issuer, if the issuer has been organized within the past five years;
- Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.
- Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
- Each general and managing partner of partnership issuers.

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

VanHoose, Tom M.

Business or Residence Address (Number and Street, City, State, Zip Code)

202 2nd Ave So., Suite 1, Great Falls, MT 59405

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Hancock, Tom M.

Business or Residence Address (Number and Street, City, State, Zip Code)

202 2nd Ave So., Suite 1, Great Falls, MT 59405

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Brewer, William G.

Business or Residence Address (Number and Street, City, State, Zip Code)

3417 15th Ave So., Great Falls, MT 59405

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

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Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Check Box(es) that Apply: Promoter Beneficial Owner Executive Officer Director General and/or Managing Partner

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

B. INFORMATION ABOUT OFFERING

1. Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering? Yes No
 Answer also in Appendix, Column 2, if filing under ULOE.
2. What is the minimum investment that will be accepted from any individual? \$ 25,000
3. Does the offering permit joint ownership of a single unit? Yes No
4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) All States

AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	HI	ID
IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA
RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	PR

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if the answer is "none" or "zero." If the transaction is an exchange offering, check this box and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	\$ 0	\$ 0
Equity	\$23,000,000	\$ 0
	<input checked="" type="checkbox"/> Common <input type="checkbox"/> Preferred	
Convertible Securities (including warrants)	\$ 0	\$ 0
Partnership Interests	\$ 0	\$ 0
Other (Specify _____)	\$ 0	\$ 0
Total	\$23,000,000	\$ 0

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors	0	\$ 0
Non-accredited Investors	0	\$ 0
Total (for filings under Rule 504 only)	0	\$ 0

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C — Question 1.

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505	0	\$ 0
Regulation A	0	\$ 0
Rule 504	0	\$ 0
Total	0	\$ 0

4 a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the insurer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	<input checked="" type="checkbox"/>	\$ 0
Printing and Engraving Costs	<input checked="" type="checkbox"/>	\$ 1,000
Legal Fees	<input checked="" type="checkbox"/>	\$ 7,500
Accounting Fees	<input type="checkbox"/>	\$ 500
Engineering Fees	<input type="checkbox"/>	\$ 0
Sales Commissions (specify finders' fees separately)	<input type="checkbox"/>	\$ 0
Other Expenses (identify)	<input checked="" type="checkbox"/>	\$ 1,000
Total	<input checked="" type="checkbox"/>	\$10,000

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C — Question 1 and total expenses furnished in response to Part C — Question 4.a. This difference is the "adjusted gross proceeds to the issuer."

\$22,990,000

5. Indicate below the amount of the adjusted gross proceed to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C — Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments to Others
Salaries and fees	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$ 0
Purchase of real estate	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$ 0
Purchase, rental or leasing and installation of machinery and equipment	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$ 0
Construction or leasing of plant buildings and facilities	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$ 0
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$22,000,000
Repayment of indebtedness	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$ 0
Working capital	<input checked="" type="checkbox"/> \$990,000	<input checked="" type="checkbox"/> \$ 0
Other (specify):	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$ 0
.....	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$ 0
Column Totals	<input checked="" type="checkbox"/> \$ 0	<input checked="" type="checkbox"/> \$ 0
Total Payments Listed (column totals added)		<input checked="" type="checkbox"/> \$ 22,990,000

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type) PMI Financial Holdings Corp.	Signature <i>Tom M. Hancock</i>	Date October 14, 2002
Name of Signer (Print or Type) Tom M. Hancock	Title of Signer (Print or Type) Secretary	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

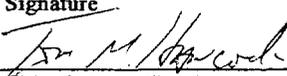
E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? Yes No

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed a notice on Form D (17 CFR 239.500) at such times as required by state law.
3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.
4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type)	Signature	Date
PMI Financial Holdings Corp.		October 14, 2002
Name (Print or Type)	Title (Print or Type)	
Tom M. Hancock	Secretary	

Instruction:

Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

APPENDIX

1 State	2 Intend to sell to non-accredited investors in State (Part B-Item 1)		3 Type of security and aggregate offering price offered in state (Part C-Item 1)	4 Type of investor and amount purchased in State (Part C-Item 2)				5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
AL									
AK		X	Equity 23,000,000	0	0	0	0		X
AZ									
AR									
CA									
CO									
CT									
DE									
DC									
FL									
GA									
HI									
ID									
IL									
IN									
IA									
KS									
KY									
LA									
ME									
MD									
MA									
MI									
MN									
MS									

APPENDIX

1 State	2 Intend to sell to non-accredited investors in State (Part B-Item 1)		3 Type of security and aggregate offering price offered in state (Part C-Item 1)	4 Type of investor and amount purchased in State (Part C-Item 2)				5 Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
MO									
MT		X	Equity 23,000,000	0	0	0	0		X
NE									
NV									
NH									
NJ									
NM									
NY									
NC		X	Equity 23,000,000	0	0	0	0		X
ND									
OH									
OK									
OR									
PA									
RI									
SC									
SD									
TN									
TX		X	Equity 23,000,000	0	0	0	0		X
UT									
VT									
VA									
WA									
WV									
WI									

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)			Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)
State	Yes	No		Number of Accredited Investors	Amount	Number of Non-Accredited Investors	Amount	Yes	No
WY									
PR									



CONFIDENTIAL OFFERING MEMORANDUM

Dated October 15, 2002

18,400 SHARES - COMMON STOCK

PMI FINANCIAL HOLDINGS CORP.

A MONTANA CORPORATION

CONFIDENTIAL OFFERING MEMORANDUM
Dated October 15, 2002
18,400 SHARES - COMMON STOCK

PMI FINANCIAL HOLDINGS CORP.
A MONTANA CORPORATION

\$23,000,000.00
\$1,250.00 Per Share

EXTREME FINANCIAL RISK - READ CAREFULLY!

Minimum Investment Per Investor: \$25,000 (20 Shares)
Maximum Investment Per Investor: \$5,750,000 (4,600 Shares)

A minimum of 4,800 shares must be sold prior to the initial closing of the Offering. The total proceeds to the Company, prior to the payment of any Offering expenses, is \$23,000,000 (based on sales of 18,400 shares.)

	Percentage of Ownership in Company After Offering	Purchase Price to Public	Proceeds to Company
Per Minimum Investment	0.08695%	\$25,000	\$25,000
Total	80%	\$23,000,000	\$23,000,000

- 4,600 shares of the common stock of **PMI FINANCIAL HOLDINGS CORP.** (the "Company") are presently owned by the existing shareholders (which includes the Company's officers and directors). A total of 50,000 shares of Common Stock (\$.001) are authorized. See "DILUTION". See also stock buy back provision explained in "TREASURY STOCK".
- See "USE OF PROCEEDS".

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE SECURITIES LAW, AND WILL THUS BE "RESTRICTED SECURITIES" AS SUCH TERM IS DEFINED IN RULE 144 OF THE GENERAL RULES OF THE SECURITIES AND EXCHANGE COMMISSION AS PROMULGATED UNDER THE ACT, AND, AS SUCH, MAY BE SOLD ONLY IN COMPLIANCE WITH RULE 144 OR PURSUANT TO A REGISTRATION OR STATEMENT OR OTHER EXEMPTION FROM REGISTRATION. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES BOARD (OR COMMISSION) OF ANY STATE, AND NO SUCH AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. SEE "RISK FACTORS" AND "CONFLICTS OF INTEREST". THESE SECURITIES ARE OFFERED ONLY TO INVESTORS PURSUANT TO SECTION 4(2) OF THE ACT, AND DEFINED IN REGULATION "D" PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION THEREUNDER.

The information contained in this Confidential Offering Memorandum (the "Memorandum") is furnished on a confidential basis for the Offeree named on this cover, and, in certain instances, his representative(s). By acceptance of this Memorandum, each Offeree, and his representative, if any, agrees that he will not transmit, reproduce, or make available to anyone other than himself or his representative this Memorandum and any exhibits and documents supplied in connection therewith.

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE AND INVOLVE A POTENTIALLY HIGH DEGREE OF RISK, AND ONLY THOSE INVESTORS WHO ARE ABLE TO BEAR THE FINANCIAL RISKS SHOULD CONSIDER PARTICIPATION. SEE "RISK FACTORS."

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE AND AS SUCH, THERE IS A SIGNIFICANT POSSIBILITY THAT A TOTAL LOSS OF INVESTMENT MAY OCCUR.

A MAXIMUM OF 18,400 SHARES AND A MINIMUM OF 4,800 SHARES OF THE COMMON STOCK (THE "STOCK") OF PMI FINANCIAL HOLDINGS CORP. (THE "COMPANY"), A MONTANA CORPORATION, ARE BEING OFFERED EXCLUSIVELY TO ACCREDITED INVESTORS. SEE "TERMS OF THE OFFERING" AND "DEFINITIONS". THE PURCHASE PRICE OF THE STOCK (\$1,250 PER SHARE) HAS BEEN DETERMINED BY THE BOARD OF DIRECTORS AND MANAGEMENT OF PMI FINANCIAL HOLDINGS CORP. (THE "ISSUER"). THE STOCK WILL BE OFFERED ONLY TO ACCREDITED INVESTORS. THERE IS NO ESTABLISHED PUBLIC MARKET FOR THE STOCK, AND THERE CAN BE NO ASSURANCE THAT ANY SUCH MARKET WILL EVER BE ESTABLISHED.

UNLESS THE MINIMUM NUMBER OF SHARES OF STOCK HAVE BEEN SOLD BY THE END OF THE OFFERING PERIOD, NO STOCK WILL BE SOLD, AND ALL PAYMENTS MADE BY SUBSCRIBERS WILL BE RETURNED TO THEM WITHOUT INTEREST OR DEDUCTION. THE MANAGEMENT OF THE ISSUER MAY REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE STOCK DESCRIBED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE MANAGEMENT OF THE ISSUER.

BY ACCEPTANCE OF THIS MEMORANDUM AND RELATED DOCUMENTS, THE INVESTOR AGREES TO KEEP THE MEMORANDUM AND ITS CONTENTS STRICTLY CONFIDENTIAL. ADDITIONALLY, THE INVESTOR AGREES TO RETURN THE MEMORANDUM AND ANY OTHER MATERIALS PROVIDED TO HIM BY THE ISSUER UPON REQUEST BY THE ISSUER.

THE PURPOSE OF THIS MEMORANDUM IS TO PROVIDE THE PROSPECTIVE INVESTOR WITH THAT INFORMATION WHICH THE ISSUER'S MANAGEMENT BELIEVES IS PERTINENT TO MAKING AN INFORMED INVESTMENT DECISION. PROSPECTIVE PURCHASERS ARE NOT TO CONSTRUE THE MEMORANDUM AS LEGAL, BUSINESS, OR TAX ADVICE. PROSPECTIVE INVESTORS ARE URGED TO SEEK ADVICE FROM THEIR OWN LEGAL, BUSINESS AND TAX ADVISORS REGARDING AN INVESTMENT IN THE STOCK.

PROSPECTIVE INVESTORS AND THEIR REPRESENTATIVE(S), IF ANY, ARE INVITED TO ASK QUESTIONS OF THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING AND THE BUSINESS OF THE COMPANY AND ITS ASSOCIATES, AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THAT THE ISSUER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION IN THIS MEMORANDUM, OR WHICH IS MATERIAL TO THE OFFERING. PROSPECTIVE INVESTORS REQUIRING ADDITIONAL INFORMATION OR DESIRING TO FURTHER DISCUSS THIS MEMORANDUM SHOULD CONTACT LEWIS F. ZANTO, TREASURER OF PMI FINANCIAL HOLDINGS CORP., 202 2ND AVE. SO., SUITE 1, GREAT FALLS, MT 59405, TELEPHONE NUMBER (406)268-1888.

NOTICES TO RESIDENTS OF VARIOUS STATES

ALASKA RESIDENTS: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

MONTANA RESIDENTS: THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF THE STATE OF MONTANA, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THIS INFORMATION IS DISTRIBUTED PURSUANT TO AN EXEMPTION UNDER THE RULES OF THE MONTANA SECURITIES DIVISION. THE SECURITIES DIVISION HAS NEITHER REVIEWED NOR APPROVED ITS FORM AND CONTENT. THE SECURITIES DESCRIBED MAY ONLY BE PURCHASED BY "ACCREDITED" INVESTORS AS DEFINED BY RULE 501 OF THE SECURITIES AND EXCHANGE COMMISSION (REGULATION D), AND THE RULES OF THE MONTANA SECURITIES DIVISION.

NORTH CAROLINA RESIDENTS: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

TEXAS RESIDENTS: THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF THE STATE OF TEXAS, AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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LIST OF EXHIBITS:

EXHIBIT "A-1" - AUDITED FINANCIAL STATEMENTS DATED JANUARY-JULY 2002

EXHIBIT "A-2" - PROFORMA FINANCIAL STATEMENTS

EXHIBIT "B-1" - MANAGEMENT AGREEMENT

EXHIBIT "B-2" - AGREEMENT (CONSULTANTS)

EXHIBIT "C" - SUBSCRIPTION AGREEMENT with SUBSCRIPTION
APPLICATION FORM

EXHIBIT "D" - INVESTOR REPRESENTATION AGREEMENT

WHO SHOULD INVEST

Suitability standards have been imposed for investment in the Stock of the Company offered hereunder because of the lack of liquidity of such an investment, and the absence of a market for the Stock.

The standards imposed require a prospective purchaser of the Stock to represent that:

1. He is an "accredited" investor as defined in Rule 501(a) of Regulation D, promulgated by the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Act").
2. He is capable of bearing the economic risk of this investment; and
3. He has knowledge and experience in financial and business matters such that he is capable of evaluating the merits and risks of an investment in the Stock being offered hereunder.

Each investor that acquires Stock will be required to execute certain documents representing therein that he has satisfied the suitability standards described above (see "TERMS OF THE OFFERING"). The company may reject any prospective investors for lack of suitability or otherwise.

STATEMENT OF PURPOSE

PMI Financial Holdings Corp. (the "Company") is a Montana corporation that was formed on February 28, 2002.

The purpose and mission of the Company are to:

- 1) Develop, manage, build, and operate banking organizations in and around the State of Montana with the intent and plan to own as a holding company four to eight bank subsidiaries within the next five years; and
- 2) Enter into development and management agreements with investors and other investors in certain areas of the United States for the development of additional banking subsidiaries in other states.

The Company's primary business plan is to form subsidiaries for the general purpose of banking, including all services offered by full service commercial banks, such as trust and escrow services, wealth management services, loan origination and funding, etc. The Company believes that it will be able to quickly establish a reputation for delivering high quality services and products and provide a high degree of banking customer satisfaction, which will enable the Company to expand the number of subsidiaries under its management. The Company will constantly seek to modify its operations, the scope of the services provided by its subsidiaries, and the depth of its bank subsidiaries' product lines in response to the changing demands of the banking community. The

Company will regularly evaluate new services and financial products that it can customize and sell to increase profits. The Company intends to use the proceeds of this Stock Offering as working capital to support current operations and prepare for geographic expansion.

SUMMARY OF THE OFFERING

NAME AND ADDRESS OF THE COMPANY	PMI FINANCIAL HOLDINGS CORP. 202 2 nd Ave So. Suite 1 GREAT FALLS, MT 59405
OFFERING PERIOD:	Beginning October 15, 2002 through October 14, 2003
OBJECTIVE:	The purpose of this Offering is to obtain the funds necessary for the Company to build the infrastructure and organization required to support the management of multiple banking subsidiaries and research relating to desired banking products and services.
CAPITALIZATION:	The total cash capitalization of the Company as of July 31, 2002 and prior to this Offering was \$200,000.00. As a result of the sale of the entire offering amount, the capitalization of the Company will increase by \$23,000,000.00 to an aggregate of \$23,200,000.00. The Company will incur up to \$8,000.00 in accounting and legal fees in connection with the preparation of this Memorandum, and it is anticipated that the Company will incur expenses of approximately \$1,000.00 for printing and copying of the Memorandum and \$1,000.00 in other expenses.

**SEGREGATED DEPOSIT OF
SUBSCRIPTION FUNDS:**

The subscriptions from the investors for up to the minimum of \$6,000,000.00 will be held by the Company in a segregated bank account. If the \$6,000,000.00 minimum amount of Stock is not subscribed for prior to the termination of the Offering Period, then no Stock will be sold and all payments made by Subscribers will be returned to them without interest or deduction. Upon the event of the deposit of the minimum required subscriptions, the segregated account will be closed and the investor funds shall be applied as set forth herein.

THE STOCK OFFERED HEREBY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER APPLICABLE STATE SECURITIES LAWS, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSIONS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE STOCK IS OFFERED PURSUANT TO EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE ACT AND APPLICABLE STATE SECURITIES LAWS, AND CERTAIN RULES AND REGULATIONS PROMULGATED THEREUNDER. THE STOCK MAY NOT BE TRANSFERRED IN ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL THAT AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

THE OFFERING DESCRIBED IN THIS MEMORANDUM IS LIMITED SOLELY TO ACCREDITED INVESTORS (AS DEFINED IN RULE 501(a) OF REGULATION D), AND ALL PURCHASERS OF STOCK IN THIS OFFERING WILL BE REQUIRED TO REPRESENT IN WRITING TO THE COMPANY THAT THEY ARE ACCREDITED INVESTORS. IN ADDITION, PURCHASERS WILL BE REQUIRED TO FURNISH WRITTEN EVIDENCE OF THEIR COMPLIANCE WITH ANY ADDITIONAL OR GREATER SUITABILITY STANDARD AS MAY BE IMPOSED UNDER APPLICABLE STATE SECURITIES LAWS.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALE OF STOCK HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THE FACTS HEREIN SET FORTH SINCE THE DATE OF INCEPTION.

THIS MEMORANDUM HAS BEEN PREPARED BY THE COMPANY AND PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATIONS FROM THE COMPANY OR ANY OF ITS RESPECTIVE AFFILIATES, RELATED PARTIES, EMPLOYEES, OFFICERS, DIRECTORS, OR SHAREHOLDERS AS BEING LEGAL ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OWN LEGAL COUNSEL, ACCOUNTANT, OR BUSINESS ADVISOR CONCERNING AN INVESTMENT IN THE STOCK OFFERED HEREBY.

UPON REQUEST OF ANY INVESTOR, THE COMPANY WILL MAKE AVAILABLE, PRIOR TO THE CONSUMMATION OF THE TRANSACTION CONTEMPLATED HEREIN, TO EACH SUCH INVESTOR AND HIS REPRESENTATIVES AND ADVISORS, THE OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, THE COMPANY OR FROM ANY PERSON ACTING ON ITS BEHALF CONCERNING THE TERMS OF THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THAT THE COMPANY POSSESSES SUCH INFORMATION OR CAN OBTAIN IT WITHOUT UNREASONABLE EFFORT AND EXPENSE NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM. NO

PERSON HAS BEEN AUTHORIZED TO GIVE INFORMATION OR TO MAKE ANY REPRESENTATIONS CONCERNING THIS TRANSACTION NOT CONTAINED IN THIS MEMORANDUM, AND ANY SUCH OTHER INFORMATION OR REPRESENTATIONS MUST BE RELIED UPON AS HAVING BEEN UNAUTHORIZED BY THE COMPANY.

ANY REPRODUCTION OR DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, TO ANY PERSON OTHER THAN THE PERSON TO WHOM THIS MEMORANDUM IS DELIVERED, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS STRICTLY PROHIBITED.

RISK FACTORS

The purchase of the Stock offered hereby is subject to a high degree of risk. Prospective purchasers are urged to consult with their own business advisors in connection with the risks associated with an investment in the Stock. Prospective purchasers should carefully consider the following factors, among other risks not particularly described in this Memorandum, in connection with an investment in the Stock:

SPECIFIC RISK OF THIS OFFERING

HISTORICAL NET LOSSES. Since inception, the Company has incurred operating losses due to its startup nature and the fact that it is seeking to become a bank holding company. The Company will continue to report net losses for an indeterminable period of time, and there can be no assurance that the Company will generate profits in future periods. The Company's future operating results will depend upon a number of factors, particularly (i) the performance of new banks as each bank is built; (ii) the ability of the Company to manage its planned banking expansion and to successfully identify and attract potential investors; and (iii) its ability to identify and respond to emerging trends in the banking industry.

ABILITY TO MANAGE GROWTH. In order for the Company to expand successfully, management will be required to anticipate the changing demands of the Company's growing operations and to adapt systems and procedures accordingly. There can be no assurance that the Company will anticipate all of the changing demands that its expanding operations will impose on such systems. To support the rapid growth in the number of its banks, the Company will be required to hire and train a greater number of bank officers, trust and bank associates, bank personnel, secretarial, and various other support staff than it has now, and there can be no assurance that the training and supervision of a large number of new employees (of the type described) will not adversely affect the performance of the Company's banks or reduce the standards that the Company seeks to maintain in each such bank. Additionally, there can be no assurance that the Company will be able to attract such prospective employees and match the existing compensation plans being offered to these types of prospective employees. The Company's future success will depend, in part, on its ability to integrate new individuals and capabilities, as well as others, into its operations.

GENERAL ECONOMIC CONDITIONS. The success of the Company's operations depends, to a significant extent, upon a number of factors relating to discretionary banking community needs with regard to bank services. These factors include economic conditions such as

employment, business conditions, interest rates, and taxation, as well as the ability of other businesses in the vicinity of the Company's banks to generate customer traffic. The Company's business is also sensitive to businesses and consumer spending patterns and customer preferences. There can be no assurance that business and consumer spending, investing, or savings will not be adversely affected by general social trends, economic conditions, and the public perception of the Company's products and services, thereby impacting the Company's growth, net sales, and profitability.

DEPENDENCE UPON KEY PERSONNEL. The operations and financial success of the Company are significantly dependent on the efforts of its management company, Prairie Mountain Investments, Inc., a financial management company headquartered in Great Falls, Montana. The key management personnel of Prairie Mountain Investments, Inc. are: (i) Tom VanHoose, the Chairman of the Board of Directors; (ii) Lewis F. Zanto, Director and Treasurer; and (iii) William G. Brewer, Director and Vice President. The extended loss of services of one or more of these individuals could have a materially adverse effect on the Company's operations.

NO PUBLIC MARKET FOR STOCK. The Stock is being offered and sold for investment only and may not be acquired by the purchaser thereof with a view to any resale or distribution thereof. The Stock will not be registered under the Securities Act of 1933 (the "Act"), as amended, or any state securities acts by reason, among others, of specific exemptions under the provisions of such acts relating to transactions not involving a public offering or solicitation, which exemptions depend in part upon the investment intent of the purchaser. Accordingly, purchasers of the Stock will need to bear the economic risk of their investment for an indefinite period of time. Furthermore, there is no public market for the Stock sold hereby and it is not anticipated that any such market will develop. Consequently, holders of Stock may not be able to liquidate their investment in the event of an emergency and the Stock may not be readily accepted as collateral for a loan.

BANKS UNDER DEVELOPMENT AND DELAY IN RECEIPT OF INCOME. The Company will simultaneously commence the selection and qualification of appropriate commercial real estate locations for PMI Financial Holdings Corp. bank facilities in market areas deemed appropriate by the management of the Company. Prior to entering into lease or building agreements relating to a proposed bank, the Company will attempt to negotiate and enter into agreements with investors concerning the ownership and management of the proposed bank. It is the Company's goal to have each bank facility/subsidiary owned approximately 50% by a local investor group in the city in which the individual bank facility is located. From the time a market site is selected, it could take up to 90 days (or longer) to identify, negotiate, and consummate the necessary agreements with such investors. Then, it will take 30 to 60 days to complete the lease or building negotiations related to each proposed bank. Once the commercial lease or building agreements are consummated, a team of professionals consisting of an architect, general contractor, and a construction/project manager will be engaged and will spend 60 to 90 days preparing the appropriate plans and specifications required to construct/implement each of the proposed new PMI Financial Holdings Corp. banks. Upon completion and approval of the plans and specifications, the furniture, fixtures, and equipment required to operate each bank will be ordered, and the substantial completion of the bank should be achieved within 180 days from the date of commencement of construction. It may then take two to three years (or longer) from the date of initial opening of each bank for the Company to realize a positive cash flow from the commencement of banking operations. From the date of the Closing of

the Offering, approximately 18-24 months (or longer) could pass prior to the Company recognizing any significant revenues (if any) from operations. In the event of unforeseen delays related to any of the above referenced activities, the Company could experience even longer delays in the receipt of income from operations. There can be no certainty regarding the results of any of these activities or the timing or the costs associated therewith.

RISKS INHERENT TO BANKING VENTURES. The Company and any investment therein will be subject to numerous risks incident to ownership and operation of a service business, including, but not limited to, changes in market conditions, taxes, increased costs of goods and services offered for sale, bank development cost overruns, a shortage of suitable licensed personnel, labor disputes, and increased competition. Additionally, other unforeseen problems may arise that could have a material adverse effect on the business of the Company.

REGULATION AND POTENTIAL CLAIMS. The Company's proposed banking activities, product labeling, and some of its ancillary services are subject to regulation by the State of Montana, Division of Banking, the Federal Deposit Insurance Corporation ("FDIC"), as well as other federal, state, and local regulatory authorities. Compliance with federal, state, and local laws and regulations pertaining to the providing of certain services and products as well as the sale of certain products could have a material adverse effect on the competitive advantage of the Company. The nature of the products and services provided/sold by the Company and/or its subsidiaries could give rise to conducted operations liability claims if one or more of the Company's customers were to suffer losses due to the rendering of some of the Company's services and/or said services are negligently provided by the Company. In the event of such an occurrence, the Company could incur substantial litigation expense, receive adverse publicity, and suffer loss of revenues as a result.

COMPETITION. The business of providing full service commercial banking services and products is highly competitive. A large number of companies engage in the services and market the products to be offered by the Company, and there is a high degree of competition for the existing customer base interested in using these services and products. Many of the Company's competitors have greater financial and other resources than the Company. A sudden increase in the number of well financed competitors could have a material adverse effect on the success of the Company. An increase in the number of providers of banking services could cause the Company to significantly reduce the prices it charges for services and products, and could also have a material adverse effect on the Company's operating margins.

LIMITED CAPITALIZATION. Most of the capitalization (cash) of the Company previously contributed by the existing shareholders has been expended and/or allocated to the Company's working capital requirements related to its development and research operations. The Company intends to offer partial ownership interests in its subsidiaries to local investment groups to raise additional working capital. Along with any proceeds realized from the sale of interests in the Company's subsidiaries, the capitalization (cash) from the proceeds of the Offering will be used to fund operations and implement the Company's plans related to expansion. Thus, the fiscal ability of the Company to perform the activities contemplated herein is totally dependent upon the receipt of such funds. Due to significant activities beginning after September 2002, the Company plans to grow rapidly and will take on some additional overhead and expenses without a corresponding increase in

immediate revenues. The capital needs of the Company will increase due to growth, and in order to finance future expansion, the Company may need to issue additional equity and/or debt. There can be no assurance that the Company will be able to sell interests in its existing and proposed subsidiaries, or obtain or close such other financing if and when needed, or that, if available, such financing would be on terms acceptable to the Company. In the event that the Company is not profitable and is not able to attract appropriate new capitalization, this could have a material adverse effect on the Company and the value of the Stock purchased by Investors in this Offering.

ARBITRARY OFFERING PRICE. The offering price and terms for the Stock were arbitrarily fixed by the Company's management based upon the Company's presently contemplated financial needs. No investment banker or other appraiser was consulted regarding such price and terms. The offering price bears no relationship to the Company's existing or pro forma assets, book value, or net worth or its possible future earnings.

LIABILITY AND INDEMNIFICATION OF MANAGEMENT. As noted under "Fiduciary Responsibilities and Indemnification of Management," the Company's management will not be liable to the Company for, and will be indemnified and held harmless by the company in connection with, the consequences of any act or failure to act, unless such act or failure to act is attributable to gross negligence or willful misconduct. The existence of such provisions gives the Investors more limited causes of action than they might otherwise have in the absence of such provisions.

ABSENCE OF REGISTRATION UNDER APPLICABLE SECURITIES LAWS. Prospective investors must recognize that the Stock has not been, nor will it be, registered under the Securities Act of 1933, as amended, or applicable state securities laws. Therefore, no regulatory authority has reviewed the terms of this Offering, including the nature and amounts of compensation to management and outside consultants, the disclosure of risks and tax consequences, and the fairness of its terms. Prospective investors must recognize that they do not necessarily have any of the protections afforded by applicable federal and state securities laws as may be provided in registered and/or qualified offerings, and they must judge the adequacy of disclosure, the amounts of compensation, and the fairness of the terms of the Offering without the benefit of prior review by any regulatory authority.

REGULATION D COMPLIANCE AND ARBITRATION OF DISPUTES. The Stock is being offered to prospective investors pursuant to Regulation D promulgated under the Act. Unless the sale of the Stock should otherwise qualify for the non-public offering exception provided at Section 4(2) of the Act, if the Offering should fail to comply with the requirements of Regulation D, the Investors would normally have the right to rescind the purchase of their Stock if they so desired. The Company has included a provision in the Subscription Agreement which provides for any dispute to be settled through arbitration rather than litigation primarily because compliance with Regulation D is highly technical and quite difficult. Further, in some cases it is possible that if some Investors sought rescission, they would succeed in a jury trial. A similar situation is possible under the laws of the State of Montana and other states. If a number of Investors were to successfully seek rescission, the Company would face financial demands which could adversely affect the Company as a whole and, thus, the non-rescinding Investors. **IN THE EVENT THAT A DISPUTE ARISES**

BETWEEN THE PURCHASERS OF THE STOCK OFFERED IN THIS MEMORANDUM AND THE COMPANY, SAID DISPUTE SHALL BE RESOLVED THROUGH ARBITRATION, RATHER THAN LITIGATION, THROUGH THE AMERICAN ARBITRATION ASSOCIATION IN HELENA, MONTANA. Any arbitration shall take place in Great Falls, Cascade County, Montana, and the Federal Arbitration Act shall govern the proceeding and all issues to arbitrate. If any party shall institute any court proceeding in an effort to resist arbitration and be unsuccessful in resisting arbitration or shall unsuccessfully contest the jurisdiction of any arbitration forum located in Great Falls, Cascade County, Montana, the prevailing party shall be entitled to recover from the losing party its attorneys' fees and any other out-of-pocket expenses incurred in connection with the prosecution or defense of such legal proceeding or its effort to enforce its rights to arbitration as provided for herein. **ARBITRATION IS FINAL AND BINDING ON THE PARTIES. THE PARTIES ARE WAIVING THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING THEIR RIGHT TO JURY TRIAL.** Pre-arbitration discovery is generally more limited and different from court proceedings. The arbitrator's award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrator is strictly limited. See "Arbitration of Disputes" in the Subscription Agreement.

GOVERNMENT ACTIONS. Governmental authorities may in the future impose restrictions or requirements on the types of products and services provided by PMI Financial Holdings Corp. through laws or regulations. The Company is not able to predict the outcome of such controls, regulations, or laws on its operations.

DILUTION. The offering price of the Common Stock offered herein is substantially higher than the book value per share of Common Stock. Purchasers of shares of Common Stock in this offering will therefore incur immediate dilution. See "DILUTION."

ESTIMATES OF COSTS AND FUTURE CASH FLOWS. This Memorandum contains certain discussions pertaining to the Company's estimated expenses related to the costs of developing and of constructing banks, as well as estimates of potential and future revenues. These discussions are based on various assumptions and, therefore, could be inherently imprecise concerning future revenues, costs, and demand for the services and products offered by this Company. Actual future revenues, costs, and demand for the services and products offered by the Company, as well as the bank development costs and operating expenses may vary substantially from the estimates. There is no assurance that the Company will ever achieve profitable operations.

CONTROL BY EXISTING SHAREHOLDERS. Upon the sale of the 18,400 shares of Common Stock offered hereby, and assuming that the Company's current shareholders do not purchase any shares in the Offering, the Company's current shareholders will own approximately 20% of the Company's outstanding voting Common Stock and will remain in a position to control the policies and operations of the Company. See "Principal Stockholders."

POSSIBLE DENIAL OF REGISTRATION. Should the Company consider becoming a company whose stock is listed and traded on the NASDAQ Over-the-Counter Bulletin Board Stock Exchange, it has not been in existence long enough, nor does the Company have enough shareholders,

to meet some of the requirements pertaining to becoming listed on such exchange, and there is a possibility that the Securities and Exchange Commission will not approve in a timely manner, or may refuse to approve at all, the Company's application and registration statement pertaining to becoming listed. In the event that such approval and registration does not occur, the Common Stock issued to and acquired by the investors in this Offering may remain restricted and unmarketable.

CONFLICTS OF INTEREST. See "Conflicts of Interest" below.

DIVIDEND POLICY. The Company does not currently pay cash dividends on its Common Stock and does not anticipate paying such dividends at any time in the near future.

CONFLICTS OF INTEREST

Although the Company believes that it will not experience conflicts of interest different from those routinely experienced by similar companies, actual or potential conflicts of interest may affect the Company's ability to consider solely the interests of its shareholders in making business decisions. All of the Company's directors and management have interests in other business ventures and investments.

Additionally, members of the Board of Directors, key members of the management of the Company, and some of the consultants to the Company, are shareholders and directors of other businesses, some of which are organizations or enterprises which offer investment advice to the general public and/or which are related to other banking corporations.

DEFINITIONS

The following are definitions of certain terms used in this Memorandum.

Accredited Investor. Accredited Investor shall mean any investor meeting at least one of the following definitions:

- (1) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000.00; or
- (2) Any natural person who had an individual income in excess of \$200,000.00 in each of the two most recent years and who reasonably expects an income in excess of \$200,000.00 (or \$300,000.00 of joint income) in the current year; or
- (3) Any other "Accredited Investor" as that term is defined in Regulation D adopted by the Securities and Exchange Commission.

Affiliate. An "Affiliate" is (i) any person directly or indirectly controlling, controlled by, or under common control with another person, (ii) any person owning or controlling 10% or more of the outstanding voting securities of such other person, (iii) any officer, director, or partner of such person, and (iv) if such other person is an officer, director, or partner, any company for which such

person acts in any such capacity. "Person" means any individual, corporation, partnership, trust, estate, or other entity.

Code. This term shall mean the United States Internal Revenue Code of 1986, as amended.

General and Administrative Costs. All reasonable and customary legal, accounting, equipment lease, travel, rent, advertising, marketing, telephone, and similar costs necessary or appropriate to the conduct of the Company's business.

Investors. The persons, firms, corporations, and other entities that subscribe to this Offering whose subscriptions are accepted by the Company.

Offering Period. Shall mean from October 15, 2002 until October 14, 2003.

Subscription Payment. The subscription amount for Stock is payable upon an Investor's subscription to the Company.

Syndication Costs. All costs, including legal fees, accounting fees, printing and mailing costs, state securities commissions filing fees, registration fees, and other expenses estimated by the Company to be incurred for the syndication, distribution, and offer of the Stock to Investors hereunder.

TERMS OF THE OFFERING

The Offering. The Company hereby offers subscriptions for the purchase of a total of 4,800 shares of Common Stock minimum, and 18,400 shares of Common Stock maximum, at the offering price of \$1,250.00 per share (total of \$6,000,000.00 minimum and \$23,000,000.00 maximum). Subscriptions must be for a minimum of 4,800 shares of Common Stock (\$6,000,000.00), provided, however, that there shall be no Non-Accredited Investors and/or an unlimited number of Accredited Investors as allowed by jurisdictions in which Common Stock will be offered and/ or sold. In some cases, management reserves and shall have the right to accept subscriptions which are lower than the stated minimum amount. See "Subscription Procedure and Payment".

Suitability Standards. The Company will adhere to the suitability standards imposed by Rule 506 of Regulation D. Accordingly, participation in this Offering is intended only for Accredited Investors and those persons willing to assume the risks of a speculative investment of limited liquidity.

A subscription will be accepted only from an Accredited Investor who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits or risks of this Offering and an investment in the Company, and if such person either (i) has a net worth of at least \$1,000,000.00 (inclusive of his principal residence, home furnishings, personal automobiles, and other exempt property), or (ii) had, in his last two (2) taxable years, and reasonably expects that he will have in the current tax year, income in excess of \$200,000.00 (or \$300,000.00 of joint income).

Deposit and Use of Funds. Pending the receipt and acceptance of subscription payments

for a minimum of 4,800 shares of Common Stock, all subscription funds received will be held in a segregated account in a national or state banking institution or a New York Stock Exchange member brokerage account. Thereafter, upon the receipt of the minimum subscription amount of \$6,000,000.00, the collected funds will be released from the segregated account to be used for the Company's purposes as specified elsewhere in this Memorandum. If subscriptions amounting to \$6,000,000.00 are not received prior to the termination of the Offering Period, the Company will refund the full amount paid by each subscriber without interest or deduction.

Once Subscription Payments are received for 4,800 shares of Common Stock, the funds held in the segregated account will be used by the Company for the purposes stated herein. Thereafter, provided the Offering Period has not expired, Common Stock will continue to be offered and sold by the Company up to the maximum of 18,400 shares of Common Stock, and subscriptions for such Common Stock, upon acceptance by the Company, shall be deposited in the Company's operating accounts and applied in accordance with the plan adopted by the Company's Board of Directors.

SUBSCRIPTION PROCEDURE AND PAYMENT

The total Subscription Payment (\$25,000.00 or more) is due and payable upon execution and tendering of the **Subscription Agreement and Investor's Representation Agreement** to the Company for its consideration.

The Company has the sole discretion to determine whether to accept all or part of any subscription tendered by a potential investor, and such determination shall be made within ten (10) days of receipt of a tendered Subscription Agreement.

ADDITIONAL ASSESSMENTS

The Stock offered hereunder is not subject to assessments for additional capital contributions (no cash call).

PLAN OF DISTRIBUTION

The Stock will be offered and sold on a "best efforts" basis by the officers and directors of the Company.

USE OF PROCEEDS

The proceeds of this Offering will be used by the Company to fund the current operations of the Company and prepare for the geographic expansion of the Company as described in the Memorandum. *Management reserves the right to allocate the proceeds of this Offering between any categories of costs and expenses related to geographic expansion and the corporate overhead associated therewith as management deems necessary, appropriate, and in the best interests of the Company.*

THE BUSINESS

BUSINESS STRATEGY

The purpose of PMI Financial Holdings Corp. is to form four to eight independent, state-chartered banks in the State of Montana within the next five years. To accomplish this the Directors, Officers and Management will take the following actions:

- Form initial group of risk capital investors. This group will capitalize the company with \$200,000.00.
- Raise capital of \$6,000,000.00 to \$23,000,000.00 to capitalize four to eight banks.
- Determine Market Areas for banks by conducting Feasibility Studies of various cities and counties in Montana.
- Rank individual Market Areas to determine areas to seek approval for each bank charter.
- Select a specific site for each bank within each Market Area by conducting Site Evaluation Studies within the selected Market Areas.
- Obtain regulatory approval from the State of Montana, the Federal Deposit Insurance Corporation, and possibly the Federal Reserve Bank to obtain a state bank charter for each Market Area.
- Market stock in each chartered bank to local investors. Approximately 50% of the stock in each bank will be sold to local investors to foster the idea of local ownership.
- Select and recruit Board of Director members for individual banks from local stockholders.
- Select and recruit Bank Management, targeting experienced bankers with experience in the respective bank market area.
- Contract with Prairie Mountain Investments, Inc. to obtain conditional regulatory approval.
- Contract with Prairie Mountain Investments, Inc. for management of PMI Financial Holdings Corp.

Prairie Mountain Investments, Inc. has found its clients to be an excellent source of potential large deposit, high net worth bank clients. There is an agreement between PMI Financial Holdings Corp. and Prairie Mountain Investments, Inc. to provide management services for PMI FHC. (See Exhibit "B-1")

MARKET SITUATION

The banking business in Montana is very competitive with respect to both loans and deposits and is dominated by a number of banks which have many offices operating over a wide geographic area. The Company's subsidiary banks will compete with these major banks, savings and loan associations, credit unions, finance companies, and other financial institutions located in their market areas. In order to compete, the Company will use, to the fullest extent possible, the expertise of its management and the expertise of the management of each subsidiary bank. The Company will also utilize the flexibility that the independent status of the organization allows. This may include emphasizing specialized services, local promotional activity, and personal contacts by the subsidiary banks' directors, officers, and other employees. The Company will use advertising, both traditional media and the Internet, to reach target markets. In addition, the subsidiary banks' directors and shareholders will refer customers, as well as bring their own business, to the local banks. The Company will have active calling programs where bank officers contact targeted prospects to solicit both deposit and loan prospects.

Each subsidiary bank will have its own board of directors that will assist in developing appropriate marketing strategies designed to establish the Company's identity and market its services. The Company will develop programs which specifically address the needs of consumers, professionals, and small-to-medium-sized businesses. In the event that an individual subsidiary bank has a customer whose loan needs exceed its own lending limits, the Company can arrange participation agreements between other subsidiary banks or with other financial institutions. Other services that may be offered may include Internet banking, ATM services, courier services, and direct deposit services.

The Company plans to establish a reputation for quality personal service that will allow it to compete favorably with the larger national and "super-regional" institutions.

The management of Prairie Mountain Investments, Inc. and the Company believe that mergers, acquisitions, and downsizing have and will continue to foster impersonal banking relationships which, in turn, may cause dissatisfaction among the customer groups that the Company's subsidiary banks will target. Larger competitors may not offer the level of personalized banking services planned by the Company since their emphasis is on large volume and standardized retail products.

The Company will face competition from other community based banks. Many of these other community banks have marketing strategies that are similar to the Company's and have been very successful. Their success is strong evidence of the potential success of the community banking concept.

ADVERTISING AND PROMOTION

The marketing strategy for each of the subsidiary banks can be broken down into three components.

1) Directors and Stockholders will be an important source of business in the start-up phase. It is anticipated that the locally based directors themselves will bring a significant part of the first year's projected growth through their own business. They will also influence other businesses and individuals to move their business to the subsidiary bank. Many of the other stockholders will be attracted to a new subsidiary bank as investors because of past association with the proposed bank president. These individuals will also move their own deposit and loan business to the subsidiary bank as well as being sources of referrals to other potential clients.

2) Each subsidiary bank's President and Executive Vice President will actively call on potential customers. Subsidiary bank management should have extensive contacts in the local market areas.

3) The third segment of the marketing plan will be a media campaign managed by a reputable advertising agency. This campaign will incorporate a consistent image and logo for all banks even though they may have different names. The benefits of the entire banking system will be highlighted with local twists for each community.

BANK LOCATIONS

The Company has retained Strategic Growth Consultants, St Louis, Missouri, to complete a Market Analysis and Bank Feasibility Study for seven counties in Montana including Gallatin, Missoula, Yellowstone, Flathead, Lewis and Clark, Silver Bow, and Hill. The objective of the study is to determine the best locations for new bank charters based on the following:

- Deposit potential
- Present demographic characteristics and competitive nature of the zip code sub-markets within the recommended county markets
- Projected demographic characteristics and competitive nature of the identified sub-markets five years and ten years in the future

In meeting these objectives, Strategic Growth Consultants will structure its research to address the following issues:

1. What is the existing banking climate in each of the seven counties analyzed?
2. Are these markets over or under serviced?
3. What are the competitive and socio-economic characteristics of the seven county markets and the recommended zip code sub-markets?
4. What are the projected demographics and how will they impact the financial services industry?

5. What is the market area's demand for home loans, auto loans, investments, retirement plans, and home improvement loans?
6. Should the Company proceed with plans to establish a subsidiary bank in the markets analyzed?
7. What zip code sub-markets would best position a new bank to achieve a competitive advantage and maximize opportunities to generate new business?
8. What is the deposit potential of the recommended zip code sub-markets?

BANK STAFFING

A primary factor in the success or failure of each subsidiary bank charter is the selection and hiring of the best available staff, starting with strong and experienced management. The President of each subsidiary bank should have the following characteristics: (1) independent banking experience; (2) experience working with boards of directors; (3) experience in initiating and implementing policies; (4) good banking track record; (5) excellent track record as a lender; and (6) experience in and knowledge of the local market. The Executive Vice President will have similar characteristics and lean toward an operational background.

FUTURE CASH REQUIREMENTS

The Company anticipates that it will meet the future cash requirements of developing new facilities and the corporate operations associated therewith by selling interests in each subsidiary bank and by additional sales of the Company's common stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL STATEMENTS. The Company's audited financial statements, prepared by Hamilton, Misfeldt & Company, P.C., for the period beginning February 28, 2002 and ending July 31, 2002 (the Company's year to date operations at the time of the preparation of this Memorandum) are included in this Memorandum as Exhibit "A." **Any and all forecasts contained herein are estimates only and should not be relied upon by an investor as a criteria for an investment in the Stock.** See "Risk Factors."

CAPITALIZATION. The following table sets forth the capitalization of the Company as of August 1, 2002, and as adjusted to reflect the sale of shares offered hereby, assuming the sale of the minimum (4,800 shares) and maximum (18,400 shares) of the Stock offered hereby. See "Exhibit "A" - Financial Statements.

Common Stock, \$0.001 Par Value Per Share 50,000 Shares Authorized

	As of	After This Offering	
	<u>August 1, 2002</u>	<u>Minimum</u>	<u>Maximum</u>
	4,600 shares	6,000 shares	23,000 shares
Paid-in-Capital	\$ 4.60	\$ 6.00	\$ 23.00
Additional Paid-in Capital	\$199,995.40	\$ 6,199,994.40	\$23,199,977.00
Retained Earnings (Loss)	\$<53,183.00>	\$ <53,183.00>	\$ <53,183.00>
Total Capitalization	\$146,817.00	\$6,146,817.00	\$23,146,817.00

DILUTION. The Investors in this Offering will be contributing approximately 99.14% of the Company's book value assets in exchange for 80% of the outstanding shares of Common Stock of the Company (if all 18,400 shares of Stock are sold). If only 4,800 shares of Stock are sold, the Investors will be contributing approximately 96.77% of the Company's book value assets in exchange for 80% of the outstanding shares of Common Stock of the Company. See tables below.

It should be noted that as of July 31, 2002, the Company has spent in excess of \$53,183.00 in developing the PMI Financial Holdings Corp. concept, \$50,000.00 pursuant to the consulting services agreement between PMI Financial Holdings Corp. and Prairie Mountain Investments, Inc., \$3,013.00 to date in legal and accounting services, and \$170.00 in startup costs and overhead related to the ongoing development of the concept as well as relationships with investors to participate with the Company in developing future locations. Even though the above described expenses paid by the Company and the value of some of its investment is intangible and is not a legitimate balance sheet item under generally accepted accounting principles, it should be noted that the real worth of such a contribution is substantial and very valuable. For the purpose of this Offering, dilution per share represents the difference between the amount per share paid by purchasers of Stock pursuant to this Offering and the net tangible book value immediately following the completion of this Offering. Dilution occurs primarily due to the arbitrary method of the Company in establishment of the offering price per share and the lower book value per share of the Stock presently outstanding.

The following tables illustrate the dilution of the Offering Price per share:

ASSUMING THE MINIMUM OFFERING IS SOLD			
	<u>Book Value</u>	<u>No. Of Shares</u>	<u>Book Value Per Share</u>
Balance as of August 1, 2002	\$ 200,000.00	1,200 ¹	\$ 166.67
Balance after Minimum Offering	\$6,200,000.00	6,000	\$1,033.33
Increase from Sale of Minimum Offering at \$1,250.00 Per Share	\$6,000,000.00	4,800	\$1,250.00
Dilution of Offering Price Per Share:	\$ 216.67		

ASSUMING THE MAXIMUM OFFERING IS SOLD			
	<u>Book Value</u>	<u>No. Of Shares</u>	<u>Book Value Per Share</u>
Balance as of August 1, 2002	\$ 200,000.00	4,600	\$ 43.48
Balance after Maximum Offering	\$23,200,000.00	23,000	\$1,008.70
Increase from Sale of Maximum Offering at \$1,250 Per Share	\$23,000,000.00	18,400	\$1,250.00
Dilution of Offering Price Per Share:	\$ 241.30		

PRINCIPAL SHAREHOLDERS

Common ownership. The company and Prairie Mountain Investments Inc. have three (3) officers, shareholders and directors in common: Tom M. VanHoose, Lewis F. Zanto, William G. Brewer. Prairie Mountain Investments Inc. is wholly owned by these shareholders.

¹SEE: Buy back of stock at par discussion under Treasury stock.

The following table sets forth certain information regarding the 4,600 shares of Common Stock (out of the 50,000 shares authorized) beneficially owned as of August 1, 2002 by (i) each person known by the Company to beneficially own five percent or more of the outstanding Common Stock of the Company, (ii) each current director and executive officer and (iii) all current directors and executive officers as a group.

(i) 5% or more ownership

<u>Name</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Prairie Mountain Investments, Inc.	3,450	75%
Leighanne Daily	287.50	6.25%
Ken Jennings	287.50	6.25%
All Other Shareholders as a Group	<u>575.00</u>	<u>12.50%</u>
Totals	4600	100%

(ii) Director/Officer/Ownership

<u>Name</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Ken Jennings	287.50	6.25%
Leighanne Daily	287.50	6.25%
All Other Directors & Executive Officers	<u>503.125</u>	<u>10.9375%</u>
Totals	1,078.125	23.4375%

(iii) Director/Officer Group

<u>Name</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Directors & Officers as a Group	1,078.125	23.4375%
All other Shareholders as a Group	<u>3,521.875</u>	<u>76.5625%</u>
Totals	4,600	100%

The following table sets forth certain information regarding the 6,000 shares of Common Stock (out of the 50,000 shares authorized) beneficially owned as of August 1, 2002, and as adjusted to reflect the sale by the Company of 4,800 (the "Minimum") shares offered hereby, by (i) each person known by the Company to beneficially own five percent or more of the outstanding Common Stock of the Company, (ii) each current director and executive officer and (iii) all current directors and executive officers as a group.

(i) 5% or more ownership

<u>Name</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Prairie Mountain Investments, Inc.	900	15.0%
Leighanne Daily	75	1.25%
Ken Jennings	75	1.25%
All Other Shareholders	150	2.50%
Investors in this Offering	<u>4,800</u>	<u>80%</u>
Total	6,000	100%

(ii) Director/Officer/Ownership

<u>Name</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Ken Jennings	75	1.25%
Leighanne Daily	75	1.25%
All Other Directors & Officers	<u>131.25</u>	<u>2.1875%</u>
Total	281.25	4.6875%

(iii) Director/Officer Group

<u>Name</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Directors & Officers as a Group	281.25	4.6875%
All Other Shareholders as a Group	<u>5,718.75</u>	<u>95.3125%</u>
Total	6,000	100%

The following table sets forth certain information regarding the 23,000 shares of Common Stock (out of the 50,000 shares authorized) beneficially owned as of August 1, 2002, and as adjusted to reflect the sale by the Company of 18,400 (the "Maximum") shares offered hereby, by (i) each person known by the Company to beneficially own five percent or more of the outstanding Common Stock of the Company, (ii) each current director and executive officer and (iii) all current directors and executive officers as a group.

(i) 5% or more ownership

<u>Name</u>	<u>Shares Beneficially owned</u>	<u>Percent of Class</u>
Prairie Mountain Investments, Inc.	3,450	15.00%
Leighanne Daily	287.50	1.25%
Ken Jennings	287.50	1.25%
All Other Shareholders as a Group	575.00	2.5%
Investors in this Offering	<u>18,400</u>	<u>80.00%</u>
Total	23,000	100%

(ii) Director/Officer Ownership

<u>Name</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Ken Jennings	287.50	1.25%
Leighanne Daily	287.50	1.25%
All Other Directors & Officers	<u>503.125</u>	<u>2.1875%</u>
Total	1,078.125	4.6875%

(iii) Director/Officer Group

<u>Name</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Directors & Officers as a Group	1,078.125	4.687.5%
All Other Shareholders	<u>21,921.875</u>	<u>95.3125%</u>
Total	23,000	100%

DESCRIPTION OF CAPITAL STOCK

The Company is authorized to issue up to 50,000 shares of Common Stock. As of March 15, 2002, there were 4,600 shares of the Company's Common Stock currently owned by existing shareholders - See Principal Shareholders.

Common Stock

Each holder of Common Stock is entitled to one vote for each share held of record for each matter submitted to a vote of shareholders. Shareholder actions require the approval of the holders of a majority of the Company's outstanding shares of Common Stock. Each holder of Common Stock is entitled to share ratably in distributions to shareholders and receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor and, in the event of the liquidation, dissolution, or winding up of the Company, is entitled to share ratably in all assets of the Company remaining after payment of liabilities. Holders of Common Stock have no conversion, preemptive, or other rights to subscribe for additional shares, and there are no redemptive rights or sinking fund provisions with respect to the Common Stock. The outstanding shares of Common Stock are, and the shares to be sold by the Company in this Offering will be, when issued and delivered against receipt of the consideration set forth in the Memorandum, validly issued, fully paid, and nonassessable. Additional shares of Common Stock may be issued by the Company from time to time and may have a dilutive effect on the existing shareholders and investors who purchase Stock offered in this Memorandum.

Management has discussed with most existing shareholders a proposal to amend the Company's Articles of Incorporation so as to allow an increase in the number of common shares from 50,000 at some time to allow for some of its expansion plans. There is no definitive plan to do so currently. However, should the board of directors and the Company's shareholders agree to the need to do so in the future, the issue will be fully discussed and brought before the shareholders for a vote at that time.

Treasury Stock

In the event that all of the stock being offered in this Memorandum is not sold, the original shareholders of the Company will sell back to the Corporation a percentage of their stock so as to maintain a percentage of ownership in the Company of not more than 20% total. Any stock so purchased by the Company will become treasury stock that may be issued by the Company in the future.

TRANSFER AGENT AND REGISTRAR

The Company serves as the transfer agent and registrar for its Common Stock.

LEGAL MATTERS

Legal matters in connection with the issuance of the shares of Common Stock offered hereby will be passed upon for the Company by T. Alan Owen, Attorney at Law, Arlington, Texas, and Lisa Swan Semansky, Attorney at Law, Great Falls, Montana, who have acted as counsel to the Company

with respect to the offering of the Common Stock and other corporate legal matters.

ACCOUNTING AND REPORTING MATTERS

Rick Reisig, Certified Public Accountant, Hamilton Misfeldt and Company, compiles the financial statements for the Company, and will prepares the Company's Federal and state tax returns.

MANAGEMENT

The Board of Directors.

The Board of Directors of the Company will have full, exclusive, and complete charge of the affairs of the Company. The members of the Board of Directors are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Tom M. VanHoose	44	Chairman of the Board of Directors
Kenneth F. Jennings	72	Director
Jim A. Haagenson	36	Director
Lewis F. Zanto	49	Director
Greg Bahny	52	Director
Leighanne Daily	38	Director
William G. Brewer	52	Director

Tom M. VanHoose, Chairman of the Board of Directors

Mr. VanHoose is the President of Prairie Mountain Investments, Inc., an asset management firm targeting high net worth clients. He also serves as a director of PMI Bank Great Falls. He has a business background including corporate finance, investment services, real estate development and management, and accounting. Mr. VanHoose earned Bachelor of Arts degrees in finance and theology and a MBA from Hardin Simmons University, Abilene, Texas. Mr. VanHoose also earned a Master of Divinity degree from Southern Methodist University, Dallas, Texas.

Kenneth F. Jennings, Director

Mr. Jennings is a retired aeronautics engineer. He is also a real estate investor that has been involved in numerous real estate rehabilitation projects in the Dallas, Texas area. Mr. Jennings earned an Associate in Science degree from The University of Texas at Arlington, Arlington, Texas.

Jim A. Haagenson, Director

Mr. Haagenson is the President of Good Guys Auto, Inc. and Silent Knight Mufflers. Mr. Haagenson presently serves as the President of the Montana Independent Automobile Dealers Association for 2002. He is also a director of PMI Bank Great Falls, Great Falls, Montana.

Lewis F. Zanto, Director

Mr. Zanto is the Chairman of the Board of Directors of PMI Bank Great Falls, Great Falls, Montana. He is the former President, CEO, and co-owner of Prairie Mountain Insurance where he directed sales management, budgeting and financial planning. Mr. Zanto is also the President and CEO of Zanto Ranch, Inc. Mr. Zanto earned a Bachelor of Science degree in geophysics from Montana State University, Bozeman, Montana.

Greg Bahny, Director

Mr. Bahny is a real estate developer and financial advisor based in Helena, Montana. He previously owned and operated Radiographic Supply, Inc. in Kalispell, Montana, for 18 years.

Leighanne S. Daily, Director

Mrs. Daily owns and operates Fast Car Wash and Fast Distributing in Great Falls, Montana. She serves on the Board of Directors of PMI Bank Great Falls, Great Falls, Montana. Mrs. Daily earned a Bachelor of Business Administration degree in business management from Montana State University, Bozeman, Montana.

William G. Brewer, Director

Mr. Brewer is the former Vice President and co-owner of Prairie Mountain Insurance. Mr. Brewer is currently an agent with Western States Insurance Company. Mr. Brewer is one of the largest crop insurance agents in the state of Montana, having clients in twenty Montana counties.

The Officers

The officers of the Company are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Tom M. VanHoose	44	President
William G. Brewer	52	Vice-President
Thomas M. Hancock	45	Secretary
Lewis F. Zanto	49	Treasurer

Thomas M. Hancock

Mr. Hancock has a background in commercial banking with eighteen years of experience in the operation of independent banks. Mr. Hancock served as the Executive Vice President, the Chief Credit Officer, and as a Director of the Abilene, Texas branch of Citizens Bank, based out of Knox

City, Texas. Mr. Hancock also has experience as a management consultant with clients in a broad range of industries. Mr. Hancock earned Bachelor of Business Administration and Masters of Business Administration degrees from Hardin Simmons University, Abilene, Texas.

The Company's Board of Directors and officers are accountable to its shareholders in a fiduciary capacity and, consequently, must exercise the utmost good faith and integrity in the handling of Company affairs. The Management must provide shareholders with timely and full information concerning matters affecting the business of the Company. Under the terms of the Company's Articles of Incorporation and Bylaws, Management will not be liable to the Company or the shareholders for errors in judgment or other acts or omissions not amounting to gross negligence or willful misconduct, and will be indemnified in such circumstances by the Company against any losses or liabilities they may incur as a result of the manner in which they operated the Company's business or conducted the Company's affairs.

Management

The management of the Company will be conducted and administered pursuant to the Management Agreement entered into by the Company with Prairie Mountain Investments on April 1, 2002. A copy of this Management Agreement is attached hereto as Exhibit "B-1." In addition, the Company entered into a consulting agreement (attached hereto as Exhibit "B-2") wherein Prairie Mountain Investments, Inc. has agreed to obtain the necessary contingent charters and conditional approval from the FDIC for each identified subsidiary bank the Company decides to build. The services to be and being performed are set forth in said agreements, as is the compensation to be paid.

DIRECTOR COMPENSATION

Directors do not presently receive any compensation for their services on the Board of Directors but are reimbursed for out of pocket expenses. All directors are elected annually and serve until the next annual meeting of the shareholders or until their successors have been elected or qualified. Officers serve at the discretion of the Board of Directors.

EXECUTIVE COMPENSATION

The management agreement attached hereto as Exhibit "B-1" and consulting agreement attached hereto as Exhibit "B-2" set forth the compensation that will be paid by the Company for services rendered in the stated capacities by and from the entity bound by said agreements.

The officers of the Company, if paid, shall be paid as agreed by the Board of Directors. At the current time, the officers serve without compensation except out of pocket expenses.

TAX ASPECTS

At the present time, there does not appear to be any tax advantages or benefits available to Investors that purchase the Stock.

Adjusted Basis for Investor's Stock. An Investor's basis in his Stock, in general, will be

equal to the purchase price paid for the Stock.

OTHER MATTERS

Each prospective investor and his representative, if any, is invited to ask questions of, and receive answers from, the Company's Management, and to obtain such information concerning the terms and conditions of the Offering to the extent they possess the same or can obtain it without unreasonable effort or expense, as such prospective investor and/or his purchaser representative, if any, deem necessary to verify the accuracy of the information referred to in this Memorandum.

PENDING LEGAL PROCEEDING

There are no legal proceedings pending against the Company. The Company is not named as a plaintiff or a defendant in any legal proceedings.

PLAN OF DISTRIBUTION

The stock offered pursuant to this Memorandum is offered by means of a private placement offering, subject to various state and federal limited offering exemptions. No general solicitation will be made, nor will underwriters be used.

EXHIBIT A-1

PMI FINANCIAL HOLDING CORP.

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS

JULY 31, 2002

With

INDEPENDENT AUDITORS' REPORT



Hamilton Misfeldt & Company P.C.
Certified Public Accountants

21 10th Street South
Great Falls, Montana 59401

**PMI FINANCIAL HOLDING CORP.
FINANCIAL STATEMENTS
JULY 31, 2002**

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Hamilton Misfeldt & Company P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

TO THE STOCKHOLDERS
PMI FINANCIAL HOLDING CORP.
GREAT FALLS, MONTANA

We have audited the accompanying statements of financial condition of PMI Financial Holding Corp. as of July 31, 2002, and the related statements of income and accumulated deficit, and cash flows for the period from inception (January 1, 2002) to July 31, 2002. These financial statements are the responsibility of PMI Financial Holding Corp.'s management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the financial position of PMI Financial Holding Corp. as of July 31, 2002, and the results of its operations and its cash flows for the initial period then ended, in conformity with accounting principles generally accepted in the United States of America.

HAMILTON MISFELDT & COMPANY, P.C.

August 14, 2002

**PMI FINANCIAL HOLDING CORP.
STATEMENT OF FINANCIAL CONDITION
JULY 31, 2002**

ASSETS

CURRENT ASSETS

Cash and cash equivalents \$ 146,817

TOTAL CURRENT ASSETS **\$ 146,817**

STOCKHOLDERS' EQUITY

STOCKHOLDERS' EQUITY

Common stock 5
Paid in capital 199,995
Accumulated deficit (53,183)

TOTAL STOCKHOLDERS' EQUITY **\$ 146,817**

PMI FINANCIAL HOLDING CORP.
STATEMENT OF INCOME AND ACCUMULATED DEFICIT
For the Seven-Month Period Ended July 31, 2002

Income	
Interest income	\$ <u>345</u>
TOTAL INCOME	<u>345</u>
Expenses	
Office expense	170
Organization costs	<u>53,358</u>
TOTAL EXPENSES	<u>53,528</u>
NET LOSS	(53,183)
Accumulated deficit, beginning of period	<u>-</u>
Accumulated deficit, end of period	<u>\$ (53,183)</u>

PMI FINANCIAL HOLDING CORP.
STATEMENT OF CASH FLOWS
For the Seven-Month Period Ended July 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	<u>\$ (53,183)</u>
Net cash used by operating activities	<u>(53,183)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from stock issuance	<u>200,000</u>
Net cash provided by financing activities	<u>200,000</u>
NET INCREASE IN CASH	146,817
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 146,817</u></u>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

There were no noncash investing and financing activities for the seven month period ended July 31, 2002.

SCHEDULE OF INTEREST

Interest paid	<u><u>\$ -</u></u>
Interest received	<u><u>\$ 345</u></u>

PMI FINANCIAL HOLDING CORP.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2002

Note 1: Summary of significant accounting policies

Nature of operations - PMI Financial Holding Corp. (the Corporation) is a Montana corporation established as a holding company to own independent banks in the state of Montana.

Cash and cash equivalents - For purposes of the statement of cash flows for the seven months ended July 31, 2002, the Corporation considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. Cash as of July 31, 2002, consists of amounts held in a money market fund. There are no cash equivalents at July 31, 2002.

Certificate of authority - The Corporation is in the process of incurring, for each bank established, certain costs in obtaining a conditional certificate of authority from the Division of Banking, State of Montana, and a conditional approval of federal deposit insurance from the Federal Deposit Insurance Corporation (FDIC). The cost per bank for the conditional certificate of authority and conditional FDIC approval is \$175,000.

Organizational costs - Organizational costs consist of legal fees incurred prior to the Corporation beginning operations. In accordance with Statement of Position 98-5, these costs have been expensed as incurred.

Note 2: Due to Prairie Mountain Investments

The Corporation has an agreement with Prairie Mountain Investments (PMI) for PMI's assistance in obtaining conditional certificates of authority and conditional approval of federal deposit insurance from the FDIC for each bank established by the Corporation. The Corporation is to pay PMI \$175,000 for this assistance in the following manner:

- ▶ \$50,000 upon PMI's receipt of the written request from the Corporation identifying the bank site and requesting the conditional certificate/approval.
- ▶ \$50,000 upon the filing of the application for conditional certificate of authority.

PMI FINANCIAL HOLDING CORP.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2002

Note 2: Due to Prairie Mountain Investments (continued)

- ▶ \$50,000 upon the filing of the application for conditional approval of Federal Deposit Insurance.
- ▶ \$12,500 upon the issuance to the Corporation the conditional certificate of authority by the State of Montana banking boards.
- ▶ \$12,500 upon the granting to the Corporation conditional approval of Federal Deposit Insurance by the FDIC.

If PMI does not file these applications, no further payment is due.

COMMUNITY BANK (Billings)			
BALANCE SHEET			
OPENING PROFORMA II			
ASSETS		FHC-Y1Q4	Q0
Cash & Balances Due from Depository			1,550,000
	Non-Interest Bearing		1,550,000
	Interest Bearing		
Securities Held to Maturity			1,800,000
Loans & Financing Receivables			
	Construction		
	Farmland		
	Revolving 1-4 Family Residents		
	1st Lien 1-4 Family Residents		
	Non-Farm Comm Residential		
	Ag Production & Farming		
	Commercial & Industrial		
	Installment Loans - Personal		
	Allowance for Loan Loss		
Premises & Fixed Assets			1,800,000
	Land		500,000
	Building & Equipment		1,300,000
	Depreciation		
Total Assets			5,150,000
LIABILITIES			
Transaction Deposit Accounts			
	Demand		
	Now, ATS, Other Interest Brg		
Non-Transaction Deposit Accounts			
	MMDA's		
	Savings		
	Time Deposits >\$100,000		
	Time Deposits <\$100,000		
Other Liabilities			
Total Liabilities			0
EQUITY/CAPITAL			
Common Stock			5,500,000
Surplus			
Undivided Profits			(350,000)
Total Equity			5,150,000
Total Liabilities & Equity			5,150,000

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COMMUNITY BANK (Billings)						
INCOME STATEMENT PROFORMA II						
YEAR ONE		FHC-Y2Q1	FHC-Y2Q2	FHC-Y2Q3	FHC-Y2Q4	YEAR 1
INTEREST INCOME		1st Q	2nd Q	3rd Q	4th Q	TOTALS
Construction Loans		4,662	9,323	13,985	18,647	46,617
Farm Land Loans		5,180	10,359	15,539	20,719	51,797
Revolving 1-4 Family Residential Loans		2,590	5,180	7,770	10,359	25,898
1st Lien 1-4 Family Residential Loans		4,627	9,254	13,882	18,509	46,272
NonFarm Comm Residential Loans		5,180	10,359	15,539	20,719	51,797
Ag Production & Farming Loans		7,770	15,539	23,309	31,078	77,695
Commercial & Industrial Loans		8,633	17,266	25,898	34,531	86,328
Installment/Personal Loans		11,741	23,481	35,222	46,963	117,408
Taxable & Govt Securities		19,660	22,118	24,613	27,593	93,983
Other Interest Income						0
Total Interest Income		70,041	122,880	175,756	229,117	597,793
INTEREST EXPENSE						
Transaction Accounts		1,299	2,598	3,898	5,197	12,992
Money Market Dep Accts		3,398	6,796	10,194	13,592	33,979
Other Savings Acct		1,666	3,331	4,997	6,663	16,656
Time Deposits >\$100,000		7,495	14,991	22,486	29,981	74,953
Time Deposits <\$100,000		6,996	13,991	20,987	27,983	69,958
Total Interest Expense		20,854	41,707	62,561	83,415	208,536
Net Interest Income		49,187	81,172	113,195	145,702	389,257
LOSS PROVISION						
		34,531	34,531	34,531	34,531	138,125
NON-INTEREST INCOME						
Service Charges		4,550	9,100	13,650	18,200	45,500
Fee Income		3,467	6,933	10,400	13,867	34,667
Rental Income		2,500	2,500	2,500	2,500	10,000
Other Non-Interest Income						0
Total Non-Interest Income		10,517	18,533	26,550	34,567	90,167
NON-INTEREST EXPENSE						
Employee Benefit, Wages, Salaries		90,375	96,375	112,781	119,081	418,613
Premises & Fixed Assets		38,579	21,179	21,179	42,279	123,217
Other Operating Expenses		25,000	25,000	25,000	25,000	100,000
DPS/Clearing		15,000	15,000	15,000	15,000	60,000
Total Non-Interest Expense		168,954	157,554	173,961	201,361	701,830
NET INCOME (LOSS)		(143,781)	(92,380)	(68,747)	(55,623)	(360,531)
Income taxes						0
Extraordinary Items & Adjustments						0
NET EARNINGS		(143,781)	(92,380)	(68,747)	(55,623)	(360,531)

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COMMUNITY BANK (Billings)					
BALANCE SHEET					
YEAR ONE PROFORMA II					
		FHC-Y2Q1	FHC-Y2Q3	FHC-Y2Q3	FHC-Y2Q4
ASSETS		Q1	Q2	Q3	Q4
Cash & Balances Due from Depositors		2,473,378	2,775,157	3,095,570	3,431,106
	Non-Interest Bearing	473,378	525,157	595,570	581,106
	Interest Bearing	2,000,000	2,250,000	2,500,000	2,850,000
Securities Held to Maturity		1,288,000	1,449,000	1,615,000	1,779,000
Loans & Financing Receivables		2,734,875	5,469,750	8,204,625	10,939,500
	Construction	276,250	552,500	828,750	1,105,000
	Farmland	276,250	552,500	828,750	1,105,000
	Revolving 1-4 Family Residents	138,125	276,250	414,375	552,500
	1st Lien 1-4 Family Residents	276,250	552,500	828,750	1,105,000
	Non-Farm Comm Residential	276,250	552,500	828,750	1,105,000
	Ag Production & Farming	414,375	828,750	1,243,125	1,657,500
	Commercial & Industrial	552,500	1,105,000	1,657,500	2,210,000
	Installment Loans - Personal	552,500	1,105,000	1,657,500	2,210,000
	Allowance for Loan Loss	(27,625)	(55,250)	(82,875)	(110,500)
Premises & Fixed Assets		1,784,341	1,768,681	1,753,022	1,737,363
	Land	500,000	500,000	500,000	500,000
	Building & Equipment	1,300,000	1,300,000	1,300,000	1,300,000
	Depreciation	(15,659)	(31,319)	(46,978)	(62,637)
Total Assets		8,280,594	11,462,589	14,668,217	17,886,969
LIABILITIES					
Transaction Deposit Accounts		931,450	1,862,900	2,794,350	3,725,800
	Demand	585,000	1,170,000	1,755,000	2,340,000
	Now, ATS, Other Interest Brg	346,450	692,900	1,039,350	1,385,800
Non-Transaction Deposit Accounts		2,318,550	4,637,100	6,955,650	9,274,200
	MMDA's	453,050	906,100	1,359,150	1,812,200
	Savings	266,500	533,000	799,500	1,066,000
	Time Deposits >\$100,000	799,500	1,599,000	2,398,500	3,198,000
	Time Deposits <\$100,000	799,500	1,599,000	2,398,500	3,198,000
Other Liabilities		24,375	48,750	73,125	97,500
Total Liabilities		3,274,375	6,548,750	9,823,125	13,097,500
EQUITY/CAPITAL					
Common Stock		5,500,000	5,500,000	5,500,000	5,500,000
Surplus		0	0	0	0
Undivided Profits		(493,781)	(586,161)	(654,908)	(710,531)
Total Equity		5,006,219	4,913,839	4,845,092	4,789,469
Total Liabil & Equit		8,280,594	11,462,589	14,668,217	17,886,969

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COMMUNITY BANK (Billings)						
INCOME STATEMENT PROFORMA II						
YEAR TWO						
INTEREST INCOME	FHC-Y3Q1	FHC-Y3Q2	FHC-Y3Q3	FHC-Y3Q4	YEAR 2	TOTALS
	1st Q	2nd Q	3rd Q	4th Q		
Construction Loans	26,762	32,114	37,466	42,819		139,161
Farm Land Loans	29,352	35,222	41,092	46,963		152,628
Revolving 1-4 Family Residential Loans	14,676	17,611	20,546	23,481		76,314
1st Lien 1-4 Family Residential Loans	26,589	31,907	37,225	42,543		138,263
NonFarm Comm Residential Loans	29,352	35,222	41,092	46,963		152,628
Ag Production & Farming Loans	44,027	52,833	61,638	70,444		228,942
Commercial & Industrial Loans	50,070	60,084	70,098	80,113		260,366
Installment/Personal Loans	65,609	78,731	91,853	104,975		341,169
Taxable & Govt Securities	46,625	53,125	59,250	65,750		224,750
Other Interest Income						0
Total Interest Income	333,062	396,849	460,261	524,049		1,714,221
INTEREST EXPENSE						0
Transaction Accounts	10,827	12,992	15,157	17,323		56,298
Money Market Dep Accts	22,653	27,183	31,714	36,244		117,793
Other Savings Acct	11,659	13,991	16,323	18,655		60,629
Time Deposits >\$100,000	47,470	56,964	66,458	75,953		246,846
Time Deposits <\$100,000	44,972	53,966	62,961	71,955		233,854
Total Interest Expense	137,581	165,097	192,613	220,129		715,419
Net Interest Income	195,481	231,752	267,649	303,920		998,802
LOSS PROVISION	41,438	41,438	41,438	41,438		165,750
NON-INTEREST INCOME						0
Service Charges	22,750	27,300	31,850	36,400		118,300
Fee Income	17,333	20,800	24,267	27,733		90,133
Rental Income	2,500	2,500	2,500	2,500		10,000
Other Non-Interest Income						0
Total Non-Interest Income	42,583	50,600	58,617	66,633		218,433
NON-INTEREST EXPENSE						0
Employee Benefit, Wages, Salaries	132,075	141,919	148,519	162,269		584,781
Premises & Fixed Assets	42,871	21,971	22,071	44,871		131,785
Other Operating Expenses	35,000	35,000	35,000	35,000		140,000
DPS/Clearing	15,000	15,000	15,000	15,000		60,000
Total Non-Interest Expense	224,946	213,890	220,590	257,140		916,567
NET INCOME (LOSS)	(28,319)	27,025	64,238	71,975		134,918
Income taxes						0
Extraordinary Items & Adjustments						0
NET EARNINGS	(28,319)	27,025	64,238	71,975		134,918

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COMMUNITY BANK (Billings)						
BALANCE SHEET						
YEAR TWO PROFORMA II						
		FHC-Y3Q1	FHC-Y3Q2	FHC-Y3Q3	FHC-Y3Q4	
ASSETS		Q1	Q2	Q3	Q4	
Cash & Balances Due from Depo		2,686,946	2,319,130	2,438,527	2,415,662	
Non-Interest Bearing		536,946	569,130	538,527	515,662	
Interest Bearing		2,150,000	1,750,000	1,900,000	1,900,000	
Securities Held to Maturity		3,050,000	4,000,000	4,500,000	5,150,000	
Loans & Financing Receivables		13,674,375	16,409,250	19,144,125	21,879,000	
Construction		1,381,250	1,657,500	1,933,750	2,210,000	
Farmland		1,381,250	1,657,500	1,933,750	2,210,000	
Revolving 1-4 Family Residents		690,625	828,750	966,875	1,105,000	
1st Lien 1-4 Family Residents		1,381,250	1,657,500	1,933,750	2,210,000	
Non-Farm Residential		1,381,250	1,657,500	1,933,750	2,210,000	
Ag Production & Farming		2,071,875	2,486,250	2,900,625	3,315,000	
Commercial & Industrial		2,762,500	3,315,000	3,867,500	4,420,000	
Installment Loans - Personal		2,762,500	3,315,000	3,867,500	4,420,000	
Allowance for Loan Loss		(138,125)	(165,750)	(193,375)	(221,000)	
Premises & Fixed Assets		1,721,703	1,706,044	1,690,385	1,674,725	
Land		500,000	500,000	500,000	500,000	
Building & Equipment		1,300,000	1,300,000	1,300,000	1,300,000	
Depreciation		(78,297)	(93,956)	(109,615)	(125,275)	
Total Assets		21,133,025	24,434,424	27,773,037	31,119,387	
LIABILITIES						
Transaction Deposit Accounts		4,657,250	5,588,700	6,520,150	7,451,600	
Demand		2,925,000	3,510,000	4,095,000	4,680,000	
Now, ATS, Other Interest Brg		1,732,250	2,078,700	2,425,150	2,771,600	
Non-Transaction Deposit Accour		11,592,750	13,911,300	16,229,850	18,548,400	
MMDA's		2,265,250	2,718,300	3,171,350	3,624,400	
Savings		1,332,500	1,599,000	1,865,500	2,132,000	
Time Deposits >\$100,000		3,997,500	4,797,000	5,596,500	6,396,000	
Time Deposits <\$100,000		3,997,500	4,797,000	5,596,500	6,396,000	
Other Liabilities		121,875	146,250	170,625	195,000	
Total Liabilities		16,371,875	19,646,250	22,920,625	26,195,000	
EQUITY/CAPITAL						
Common Stock		5,500,000	5,500,000	5,500,000	5,500,000	
Surplus		0	0	0	0	
Undivided Profits		(738,850)	(711,826)	(647,588)	(575,613)	
Total Equity		4,761,150	4,788,174	4,852,412	4,924,387	
Total Liabil & Equit		21,133,025	24,434,424	27,773,037	31,119,387	

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COMMUNITY BANK (Billings)					
INCOME STATEMENT PROFORMA II					
YEAR THREE	FHC-Y4Q1	FHC-Y4Q2	FHC-Y4Q3	FHC-Y4Q4	YEAR 3 TOTALS
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	TOTALS
Construction Loans	51,278	56,977	62,674	68,372	239,302
Farm Land Loans	55,941	62,156	68,372	74,588	261,058
Revolving 1-4 Family Residential Loans	27,970	31,078	34,186	37,294	130,528
1st Lien 1-4 Family Residential Loans	50,968	56,631	62,294	67,958	237,851
Non-Farm Comm Residential Loans	55,941	62,156	68,372	74,588	261,058
Ag Production & Farming Loans	83,911	93,234	102,568	111,881	391,594
Commercial & Industrial Loans	102,568	113,963	125,348	136,744	478,603
Installment/Personal Loans	124,313	138,125	151,938	165,750	580,125
Taxable & Govt Securities	81,231	89,000	96,938	105,186	372,325
Other Interest Income					0
Total Interest Income	634,111	703,311	772,680	842,329	2,952,431
INTEREST EXPENSE					0
Transaction Accounts	23,385	25,984	28,582	31,181	109,132
Money Market Dep Accts	45,871	50,988	56,065	61,162	214,068
Other Savings Acct	23,986	26,660	29,315	31,980	111,930
Time Deposits >\$100,000	94,441	104,934	115,428	125,921	440,724
Time Deposits <\$100,000	88,944	99,938	109,931	119,925	419,738
Total Interest Expense	277,626	308,474	339,321	370,169	1,295,560
Net Interest Income	356,485	394,837	433,358	472,161	1,656,841
LOSS PROVISION	48,344	48,344	48,344	48,344	193,375
NON-INTEREST INCOME					
Service Charges	40,950	46,500	50,050	54,600	191,100
Fee Income	31,200	34,987	38,133	41,600	145,800
Rental Income	2,500	2,500	2,500	2,500	10,000
Other Non-Interest Income					0
Total Non-Interest Income	74,650	83,987	90,683	98,700	346,700
NON-INTEREST EXPENSE					
Employee Benefit, Wages, Salaries	178,538	184,013	197,763	208,075	768,389
Premises & Fixed Assets	47,963	22,963	22,983	47,423	141,313
Other Operating Expenses	50,000	50,000	50,000	50,000	200,000
DPS/Clearing	15,000	15,000	15,000	15,000	60,000
Total Non-Interest Expense	289,501	271,976	285,726	320,498	1,167,701
NET INCOME (LOSS)	93,290	157,184	189,972	202,019	642,465
Income taxes					0
Extraordinary Items & Adjustments					0
NET EARNINGS	93,290	157,184	189,972	202,019	642,465

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COMMUNITY BANK (Billings)					
BALANCE SHEET					
YEAR THREE PROFORMA II					
		FHC-Y4Q1	FHC-Y4Q2	FHC-Y4Q3	FHC-Y4Q4
ASSETS		Q1	Q2	Q3	Q4
Cash & Balances Due from Depc		2,549,112	2,726,455	2,921,587	3,103,765
Non-Interest Bearing		549,112	526,455	521,587	503,765
Interest Bearing		2,000,000	2,200,000	2,400,000	2,600,000
Securities Held to Maturity		5,665,000	6,200,000	6,750,000	7,325,000
Loans & Financing Receivables		24,613,875	27,348,750	30,083,625	32,818,500
Construction		2,486,250	2,762,500	3,038,750	3,315,000
Farmland		2,486,250	2,762,500	3,038,750	3,315,000
Revolving 1-4 Family Residents		1,243,125	1,381,250	1,519,375	1,657,500
1st Lien 1-4 Family Residents		2,486,250	2,762,500	3,038,750	3,315,000
Non-Farm Residential		2,486,250	2,762,500	3,038,750	3,315,000
Ag Production & Farming		3,729,375	4,143,750	4,558,125	4,972,500
Commercial & Industrial		4,972,500	5,525,000	6,077,500	6,630,000
Installment Loans - Personal		4,972,500	5,525,000	6,077,500	6,630,000
Allowance for Loan Loss		(248,625)	(276,250)	(303,875)	(331,500)
Premises & Fixed Assets		1,659,066	1,643,407	1,627,747	1,612,088
Land		500,000	500,000	500,000	500,000
Building & Equipment		1,300,000	1,300,000	1,300,000	1,300,000
Depreciation		(140,934)	(156,593)	(172,253)	(187,912)
Total Assets		34,487,053	37,918,612	41,382,959	44,859,353
LIABILITIES					
Transaction Deposit Accounts		8,383,050	9,314,500	10,245,950	11,177,400
Demand		5,265,000	5,850,000	6,435,000	7,020,000
Now, ATS, Other Interest Brg		3,118,050	3,464,500	3,810,950	4,157,400
Non-Transaction Deposit Account		20,866,950	23,185,500	25,504,050	27,822,600
MMDA's		4,077,450	4,530,500	4,983,550	5,436,600
Savings		2,398,500	2,665,000	2,931,500	3,198,000
Time Deposits >\$100,000		7,195,500	7,995,000	8,794,500	9,594,000
Time Deposits <\$100,000		7,195,500	7,995,000	8,794,500	9,594,000
Other Liabilities		219,375	243,750	268,125	292,500
Total Liabilities		29,469,375	32,743,750	36,018,125	39,292,500
EQUITY/CAPITAL					
Common Stock		5,500,000	5,500,000	5,500,000	5,500,000
Surplus		0	0	0	0
Undivided Profits		(482,322)	(325,138)	(135,166)	66,853
Total Equity		5,017,678	5,174,862	5,364,834	5,566,853
Total Liabil & Equit		34,487,053	37,918,612	41,382,959	44,859,353

COMMUNITY BANK (Billings)						
INCOME STATEMENT PROFORMA II						
YEAR FOUR	FHC-Y5Q1	FHC-Y5Q2	FHC-Y5Q3	FHC-Y5Q4	YEAR 4	
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	TOTALS	
Construction Loans	78,559	84,602	90,645	96,688	350,492	
Farm Land Loans	85,292	91,853	98,414	104,975	380,534	
Revolving 1-4 Family Residential Loans	42,646	45,927	49,207	52,488	190,267	
1st Lien 1-4 Family Residential Loans	78,110	84,118	90,127	96,135	348,489	
NonFarm Comm Residential Loans	85,292	91,853	98,414	104,975	380,534	
Ag Production & Farming Loans	127,938	137,780	147,621	157,463	570,802	
Commercial & Industrial Loans	157,117	169,203	181,289	193,375	700,984	
Installment/Personal Loans	188,541	203,044	217,547	232,050	841,181	
Taxable & Govt Securities	126,125	135,250	146,875	157,250	565,500	
Other Interest Income					0	
Total Interest Income	969,620	1,043,629	1,120,138	1,195,398	4,328,785	
INTEREST EXPENSE					0	
Transaction Accounts	39,409	42,440	45,472	48,503	175,823	
Money Market Dep Accts	73,621	79,284	84,947	90,610	328,461	
Other Savings Acct	38,976	41,974	44,972	47,970	173,891	
Time Deposits >\$100,000	149,407	160,899	172,392	183,885	666,583	
Time Deposits <\$100,000	142,911	153,904	164,897	175,890	637,601	
Total Interest Expense	444,322	478,501	512,679	546,858	1,982,360	
Net Interest Income	525,298	565,128	607,459	648,540	2,346,424	
LOSS PROVISION	48,344	48,344	48,344	48,344	193,375	
NON-INTEREST INCOME						
Service Charges	59,150	63,700	68,250	72,800	263,900	
Fee Income	45,067	48,533	52,000	55,467	201,067	
Rental Income	2,500	2,500	2,500	2,500	10,000	
Other Non-Interest Income					0	
Total Non-Interest Income	106,717	114,733	122,750	130,767	474,967	
NON-INTEREST EXPENSE						
Employee Benefit, Wages, Salaries	229,621	236,431	253,553	253,553	973,158	
Premises & Fixed Assets	59,107	28,967	29,067	50,363	167,505	
Other Operating Expenses	60,000	60,000	60,000	60,000	240,000	
DPS/Clearing	20,000	20,000	20,000	20,000	80,000	
Total Non-Interest Expense	368,728	345,398	362,620	383,916	1,460,663	
NET INCOME (LOSS)	214,943	286,120	319,245	347,046	1,167,353	
Income taxes					0	
Extraordinary Items & Adjustments					0	
NET EARNINGS	214,943	286,120	319,245	347,046	1,167,353	

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COMMUNITY BANK (Billings)					
BALANCE SHEET					
YEAR FOUR PROFORMA II					
		FHC-Y5Q1	FHC-Y5Q2	FHC-Y5Q3	FHCY5Q4
ASSETS		Q1	Q2	Q3	Q4
Cash & Balances Due from Depositor		2,851,367	3,042,646	3,067,050	3,219,255
	Non-Interest Bearing	551,367	642,646	567,050	619,255
	Interest Bearing	2,300,000	2,400,000	2,500,000	2,600,000
Securities Held to Maturity		8,250,000	8,900,000	9,750,000	10,500,000
Loans & Financing Receivables		35,553,375	38,288,250	41,023,125	43,758,000
	Construction	3,591,250	3,867,500	4,143,750	4,420,000
	Farmland	3,591,250	3,867,500	4,143,750	4,420,000
	Revolving 1-4 Family Residents	1,795,625	1,933,750	2,071,875	2,210,000
	1st Lien 1-4 Family Residents	3,591,250	3,867,500	4,143,750	4,420,000
	Non-Farm Residential	3,591,250	3,867,500	4,143,750	4,420,000
	Ag Production & Farming	5,386,875	5,801,250	6,215,625	6,630,000
	Commercial & Industrial	7,182,500	7,735,000	8,287,500	8,840,000
	Installment Loans - Personal	7,182,500	7,735,000	8,287,500	8,840,000
	Allowance for Loan Loss	(359,125)	(386,750)	(414,375)	(442,000)
Premises & Fixed Assets		1,596,429	1,580,769	1,565,110	1,549,451
	Land	500,000	500,000	500,000	500,000
	Building & Equipment	1,300,000	1,300,000	1,300,000	1,300,000
	Depreciation	(203,571)	(219,231)	(234,890)	(250,549)
Total Assets		48,251,170	51,811,665	55,405,285	59,026,706
LIABILITIES					
Transaction Deposit Accounts		12,108,850	13,040,300	13,971,750	14,903,200
	Demand	7,605,000	8,190,000	8,775,000	9,360,000
	Now, ATS, Other Interest Brg	4,503,850	4,850,300	5,196,750	5,543,200
Non-Transaction Deposit Accounts		30,141,150	32,459,700	34,778,250	37,096,800
	MMDA's	5,889,650	6,342,700	6,795,750	7,248,800
	Savings	3,464,500	3,731,000	3,997,500	4,264,000
	Time Deposits >\$100,000	10,393,500	11,193,000	11,992,500	12,792,000
	Time Deposits <\$100,000	10,393,500	11,193,000	11,992,500	12,792,000
Other Liabilities		219,375	243,750	268,125	292,500
Total Liabilities		42,469,375	45,743,750	49,018,125	52,292,500
EQUITY/CAPITAL					
Common Stock		5,500,000	5,500,000	5,500,000	5,500,000
Surplus		0	0	0	0
Undivided Profits		281,795	567,915	887,160	1,234,206
Total Equity		5,781,795	6,067,915	6,387,160	6,734,206
Total Liabil & Equit		48,251,170	51,811,665	55,405,285	59,026,706

COMMUNITY BANK (Bozeman)

BALANCE SHEET

OPENING PROFORMA II

The projected income and expense statements and the balance sheets and their components are estimates only. Actual results may vary greatly from the projected and estimated numbers. Actual numbers may in fact be considerably worse than these estimates.

ASSETS		FHC-Y2Q1	Q0
Cash & Balances Due from Depository			1,550,000
	Non-Interest Bearing		1,550,000
	Interest Bearing		
Securities Held to Maturity			1,800,000
Loans & Financing Receivables			
	Construction		
	Farmland		
	Revolving 1-4 Family Residents		
	1st Lien 1-4 Family Residents		
	Non-Farm Comm Residential		
	Ag Production & Farming		
	Commercial & Industrial		
	Installment Loans - Personal		
	Allowance for Loan Loss		
Premises & Fixed Assets			1,800,000
	Land		500,000
	Building & Equipment		1,300,000
	Depreciation		
Total Assets			5,150,000
LIABILITIES			
Transaction Deposit Accounts			
	Demand		
	Now, ATS, Other Interest Brg		
Non-Transaction Deposit Accounts			
	MMDA's		
	Savings		
	Time Deposits >\$100,000		
	Time Deposits <\$100,000		
Other Liabilities			
Total Liabilities			0
EQUITY/CAPITAL			
Common Stock			5,500,000
Surplus			
Undivided Profits			(350,000)
Total Equity			5,150,000
Total Liabilities & Equity			5,150,000

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COMMUNITY BANK (Bozeman)						
INCOME STATEMENT PROFORMA II						
YEAR ONE						
INTEREST INCOME	FHCY2Q2	FHC-Y2Q3	FHC-Y2Q4	FHC-Y3Q1	YEAR 1	TOTALS
	1st Q	2nd Q	3rd Q	4th Q		
Construction Loans	5,020	10,041	15,061	20,081	50,203	
Farm Land Loans	5,578	11,156	16,734	22,313	55,781	
Revolving 1-4 Family Residential Loans	2,789	5,578	8,367	11,156	27,891	
1st Lien 1-4 Family Residential Loans	4,983	9,966	14,949	19,933	49,831	
NonFarm Comm Residential Loans	5,578	11,156	16,734	22,313	55,781	
Ag Production & Farming Loans	8,367	16,734	25,102	33,469	83,672	
Commercial & Industrial Loans	9,297	18,594	27,891	37,188	92,969	
Installment/Personal Loans	12,644	25,288	37,931	50,575	126,438	
Taxable & Govt Securities	19,660	22,118	24,613	27,593	93,983	
Other Interest Income					0	
Total Interest Income	73,917	130,631	187,382	244,619	636,548	
INTEREST EXPENSE						
Transaction Accounts	1,399	2,798	4,197	5,597	13,991	
Money Market Dep Accts	3,659	7,319	10,978	14,637	36,593	
Other Savings Acct	1,794	3,588	5,381	7,175	17,938	
Time Deposits >\$100,000	8,072	16,144	24,216	32,288	80,719	
Time Deposits <\$100,000	7,534	15,068	22,601	30,135	75,338	
Total Interest Expense	22,458	44,916	67,373	89,831	224,578	
Net Interest Income	51,459	85,715	120,009	154,788	411,971	
LOSS PROVISION	37,188	37,188	37,188	37,188	148,750	
NON-INTEREST INCOME						
Service Charges	4,900	9,800	14,700	19,600	49,000	
Fee Income	3,733	7,467	11,200	14,933	37,333	
Rental Income	2,500	2,500	2,500	2,500	10,000	
Other Non-Interest Income					0	
Total Non-Interest Income	11,133	19,767	28,400	37,033	96,333	
NON-INTEREST EXPENSE						
Employee Benefit, Wages, Salaries	90,375	96,375	112,781	119,081	418,613	
Premises & Fixed Assets	38,579	21,179	21,179	42,279	123,217	
Other Operating Expenses	25,000	25,000	25,000	25,000	100,000	
DPS/Clearing	15,000	15,000	15,000	15,000	60,000	
Total Non-Interest Expense	168,954	157,554	173,961	201,361	701,830	
NET INCOME (LOSS)	(143,550)	(89,260)	(62,739)	(46,727)	(342,276)	
Income taxes					0	
Extraordinary Items & Adjustments					0	
NET EARNINGS	(143,550)	(89,260)	(62,739)	(46,727)	(342,276)	

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COMMUNITY BANK (Bozeman)					
BALANCE SHEET					
YEAR ONE PROFORMA II					
		FHC-Y2Q2	FHC-Y2Q3	FHC-Y2Q4	FHC-Y3Q1
ASSETS		Q1	Q2	Q3	Q4
Cash & Balances Due from Depositors		2,515,110	2,861,509	3,229,429	3,615,361
Non-Interest Bearing		515,110	611,509	729,429	765,361
Interest Bearing		2,000,000	2,250,000	2,500,000	2,850,000
Securities Held to Maturity		1,288,000	1,449,000	1,615,000	1,779,000
Loans & Financing Receivables		2,945,250	5,890,500	8,835,750	11,781,000
Construction		297,500	595,000	892,500	1,190,000
Farmland		297,500	595,000	892,500	1,190,000
Revolving 1-4 Family Residents		148,750	297,500	446,250	595,000
1st Lien 1-4 Family Residents		297,500	595,000	892,500	1,190,000
Non-Farm Comm Residential		297,500	595,000	892,500	1,190,000
Ag Production & Farming		446,250	892,500	1,338,750	1,785,000
Commercial & Industrial		595,000	1,190,000	1,785,000	2,380,000
Installment Loans - Personal		595,000	1,190,000	1,785,000	2,380,000
Allowance for Loan Loss		(29,750)	(59,500)	(89,250)	(119,000)
Premises & Fixed Assets		1,784,341	1,768,881	1,753,022	1,737,363
Land		500,000	500,000	500,000	500,000
Building & Equipment		1,300,000	1,300,000	1,300,000	1,300,000
Depreciation		(15,659)	(31,319)	(46,978)	(62,637)
Total Assets		8,532,700	11,969,690	15,433,201	18,912,724
LIABILITIES					
Transaction Deposit Accounts		1,003,100	2,006,200	3,009,300	4,012,400
Demand		630,000	1,260,000	1,890,000	2,520,000
Now, ATS, Other Interest Brg		373,100	746,200	1,119,300	1,492,400
Non-Transaction Deposit Accounts		2,496,900	4,993,800	7,490,700	9,987,600
MMDA's		487,900	975,800	1,463,700	1,951,600
Savings		287,000	574,000	861,000	1,148,000
Time Deposits >\$100,000		861,000	1,722,000	2,583,000	3,444,000
Time Deposits <\$100,000		861,000	1,722,000	2,583,000	3,444,000
Other Liabilities		26,250	52,500	78,750	105,000
Total Liabilities		3,526,250	7,052,500	10,578,750	14,105,000
EQUITY/CAPITAL					
Common Stock		5,500,000	5,500,000	5,500,000	5,500,000
Surplus		0	0	0	0
Undivided Profits		(493,550)	(582,810)	(645,549)	(692,276)
Total Equity		5,006,450	4,917,190	4,854,451	4,807,724
Total Liabil & Equit		8,532,700	11,969,690	15,433,201	18,912,724

COMMUNITY BANK (Bozeman)

INCOME STATEMENT PROFORMA II

YEAR TWO

	FHC-Y3Q2	FHC-Y3Q3	FHC-Y3Q4	FHC-Y4Q1	YEAR 2
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	TOTALS
Construction Loans	28,820	34,584	40,348	46,113	149,866
Farm Land Loans	31,609	37,931	44,253	50,575	164,369
Revolving 1-4 Family Residential Loans	15,805	18,968	22,127	25,288	82,184
1st Lien 1-4 Family Residential Loans	28,634	34,361	40,088	45,815	148,899
NonFarm Comm Residential Loans	31,609	37,931	44,253	50,575	164,369
Ag Production & Farming Loans	47,414	56,897	66,380	75,863	246,553
Commercial & Industrial Loans	53,922	64,706	75,491	86,275	280,394
Installment/Personal Loans	70,656	84,788	98,919	113,050	367,413
Taxable & Govt Securities	46,625	53,125	59,250	65,750	224,750
Other Interest Income					0
Total Interest Income	355,095	423,289	491,108	559,303	1,828,796
INTEREST EXPENSE					0
Transaction Accounts	11,659	13,991	16,323	18,655	60,629
Money Market Dep Accts	24,395	29,274	34,153	39,032	126,854
Other Savings Acct	12,556	15,068	17,579	20,090	65,293
Time Deposits >\$100,000	51,122	61,346	71,571	81,795	265,834
Time Deposits <\$100,000	48,431	58,118	67,804	77,490	251,843
Total Interest Expense	148,164	177,797	207,429	237,062	770,452
Net Interest Income	206,932	245,493	283,679	322,241	1,058,344
LOSS PROVISION	44,625	44,625	44,625	44,625	178,500
NON-INTEREST INCOME					0
Service Charges	24,500	29,400	34,300	39,200	127,400
Fee Income	18,667	22,400	26,133	29,867	97,067
Rental Income	2,500	2,500	2,500	2,500	10,000
Other Non-Interest Income					0
Total Non-Interest Income	45,667	54,300	62,933	71,567	234,467
NON-INTEREST EXPENSE					0
Employee Benefit, Wages, Salaries	132,075	141,919	148,519	162,269	584,781
Premises & Fixed Assets	42,871	21,971	22,071	44,871	131,785
Other Operating Expenses	35,000	35,000	35,000	35,000	140,000
DPS/Clearing	15,000	15,000	15,000	15,000	60,000
Total Non-Interest Expense	224,946	213,890	220,590	257,140	916,567
NET INCOME (LOSS)	(16,973)	41,278	81,397	92,042	197,744
Income taxes					0
Extraordinary Items & Adjustments					0
NET EARNINGS	(16,973)	41,278	81,397	92,042	197,744

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COMMUNITY BANK (Bozeman)

BALANCE SHEET

YEAR TWO PROFORMA II

	FCH-Y3Q2	FHC-Y3Q3	FHC-Y3Q4	FHC-Y4Q1
ASSETS	Q1	Q2	Q3	Q4
Cash & Balances Due from Depo	2,924,048	2,611,985	2,790,042	2,828,743
Non-Interest Bearing	774,048	861,985	890,042	928,743
Interest Bearing	2,150,000	1,750,000	1,900,000	1,900,000
Securities Held to Maturity	3,050,000	4,000,000	4,500,000	5,150,000
Loans & Financing Receivables	14,726,250	17,671,500	20,616,750	23,562,000
Construction	1,487,500	1,785,000	2,082,500	2,380,000
Farmland	1,487,500	1,785,000	2,082,500	2,380,000
Revolving 1-4 Family Residents	743,750	892,500	1,041,250	1,190,000
1st Lien 1-4 Family Residents	1,487,500	1,785,000	2,082,500	2,380,000
Non-Farm Residential	1,487,500	1,785,000	2,082,500	2,380,000
Ag Production & Farming	2,231,250	2,677,500	3,123,750	3,570,000
Commercial & Industrial	2,975,000	3,570,000	4,165,000	4,760,000
Installment Loans - Personal	2,975,000	3,570,000	4,165,000	4,760,000
Allowance for Loan Loss	(148,750)	(178,500)	(208,250)	(238,000)
Premises & Fixed Assets	1,721,703	1,706,044	1,690,385	1,674,725
Land	500,000	500,000	500,000	500,000
Building & Equipment	1,300,000	1,300,000	1,300,000	1,300,000
Depreciation	(78,297)	(93,956)	(109,615)	(125,275)
Total Assets	22,422,001	25,989,529	29,597,176	33,215,468
LIABILITIES				
Transaction Deposit Accounts	5,015,500	6,018,600	7,021,700	8,024,800
Demand	3,150,000	3,780,000	4,410,000	5,040,000
Now, ATS, Other Interest Brg	1,865,500	2,238,600	2,611,700	2,984,800
Non-Transaction Deposit Accour	12,484,500	14,981,400	17,478,300	19,975,200
MMDA's	2,439,500	2,927,400	3,415,300	3,903,200
Savings	1,435,000	1,722,000	2,009,000	2,296,000
Time Deposits >\$100,000	4,305,000	5,166,000	6,027,000	6,888,000
Time Deposits <\$100,000	4,305,000	5,166,000	6,027,000	6,888,000
Other Liabilities	131,250	157,500	183,750	210,000
Total Liabilities	17,631,250	21,157,500	24,683,750	28,210,000
EQUITY/CAPITAL				
Common Stock	5,500,000	5,500,000	5,500,000	5,500,000
Surplus	0	0	0	0
Undivided Profits	(709,249)	(667,971)	(586,574)	(494,532)
Total Equity	4,790,751	4,832,029	4,913,426	5,005,468
Total Liabil & Equit	22,422,001	25,989,529	29,597,176	33,215,468

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COMMUNITY BANK (Bozeman)						
INCOME STATEMENT PROFORMA II						
YEAR THREE	FHC-Y4Q2	FHC-Y4Q3	FHC-Y4Q4	FHC-Y5Q1	YEAR 3	
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	TOTALS	
Construction Loans	55,223	61,359	67,495	73,631	257,709	
Farm Land Loans	60,244	66,938	73,631	80,325	281,138	
Revolving 1-4 Family Residential Loans	30,122	33,469	36,816	40,163	140,569	
1st Lien 1-4 Family Residential Loans	54,889	60,988	67,086	73,185	256,148	
NonFarm Comm Residential Loans	60,244	66,938	73,631	80,325	281,138	
Ag Production & Farming Loans	90,366	100,406	110,447	120,488	421,708	
Commercial & Industrial Loans	110,447	122,719	134,991	147,263	515,419	
Installment/Personal Loans	133,875	148,750	163,625	178,500	624,750	
Taxable & Govt Securities	81,231	89,000	96,938	105,156	372,325	
Other Interest Income					0	
Total Interest Income	676,640	750,566	824,660	899,035	3,150,901	0
INTEREST EXPENSE						
Transaction Accounts	25,184	27,983	30,781	33,579	117,527	
Money Market Dep Accts	49,400	54,889	60,378	65,867	230,533	
Other Savings Acct	25,830	28,700	31,570	34,440	120,540	
Time Deposits >\$100,000	101,706	113,006	124,307	135,608	474,628	
Time Deposits <\$100,000	96,863	107,625	118,388	129,150	452,025	
Total Interest Expense	298,982	332,203	365,423	398,643	1,395,251	1,755,650
Net Interest Income	377,658	418,363	459,237	500,392	1,755,650	
LOSS PROVISION	52,063	52,063	52,063	52,063	208,250	
NON-INTEREST INCOME						
Service Charges	44,100	49,000	53,900	58,800	205,800	
Fee Income	33,600	37,333	41,067	44,800	156,800	
Rental Income	2,500	2,500	2,500	2,500	10,000	
Other Non-Interest Income					0	
Total Non-Interest Income	80,200	88,833	97,467	106,100	372,600	
NON-INTEREST EXPENSE						
Employee Benefit, Wages, Salaries	176,538	184,013	197,763	208,075	766,388	
Premises & Fixed Assets	47,963	22,963	22,963	47,423	141,313	
Other Operating Expenses	50,000	50,000	50,000	50,000	200,000	
DPS/Clearing	15,000	15,000	15,000	15,000	60,000	
Total Non-Interest Expense	289,501	271,976	285,726	320,498	1,167,701	
NET INCOME (LOSS)	116,295	183,158	218,915	233,931	752,299	
Income taxes					0	
Extraordinary Items & Adjustments					0	
NET EARNINGS	116,295	183,158	218,915	233,931	752,299	

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COMMUNITY BANK (Bozeman)						
BALANCE SHEET						
YEAR THREE PROFORMA II						
		FHC-Y4Q2	FHC-Y4Q3	FHC-Y4Q4	FHC-Y5Q1	
ASSETS		Q1	Q2	Q3	Q4	
Cash & Balances Due from Depo		3,026,697	3,271,515	3,537,089	3,792,680	
	Non-Interest Bearing	1,026,697	1,071,515	1,137,089	1,192,680	
	Interest Bearing	2,000,000	2,200,000	2,400,000	2,600,000	
Securities Held to Maturity		5,665,000	6,200,000	6,750,000	7,325,000	
Loans & Financing Receivables		26,507,250	29,452,500	32,397,750	35,343,000	
	Construction	2,677,500	2,975,000	3,272,500	3,570,000	
	Farmland	2,677,500	2,975,000	3,272,500	3,570,000	
	Revolving 1-4 Family Residents	1,338,750	1,487,500	1,636,250	1,785,000	
	1st Lien 1-4 Family Residents	2,677,500	2,975,000	3,272,500	3,570,000	
	Non-Farm Residential	2,677,500	2,975,000	3,272,500	3,570,000	
	Ag Production & Farming	4,016,250	4,462,500	4,908,750	5,355,000	
	Commercial & Industrial	5,355,000	5,950,000	6,545,000	7,140,000	
	Installment Loans - Personal	5,355,000	5,950,000	6,545,000	7,140,000	
	Allowance for Loan Loss	(267,750)	(297,500)	(327,250)	(357,000)	
Premises & Fixed Assets		1,659,066	1,643,407	1,627,747	1,612,088	
	Land	500,000	500,000	500,000	500,000	
	Building & Equipment	1,300,000	1,300,000	1,300,000	1,300,000	
	Depreciation	(140,934)	(156,593)	(172,253)	(187,912)	
Total Assets		36,858,013	40,567,421	44,312,586	48,072,768	
LIABILITIES						
Transaction Deposit Accounts		9,027,900	10,031,000	11,034,100	12,037,200	
	Demand	5,670,000	6,300,000	6,930,000	7,560,000	
	Now, ATS, Other Interest Brg	3,357,900	3,731,000	4,104,100	4,477,200	
Non-Transaction Deposit Account		22,472,100	24,969,000	27,465,900	29,962,800	
	MMDA's	4,391,100	4,879,000	5,366,900	5,854,800	
	Savings	2,583,000	2,870,000	3,157,000	3,444,000	
	Time Deposits >\$100,000	7,749,000	8,610,000	9,471,000	10,332,000	
	Time Deposits <\$100,000	7,749,000	8,610,000	9,471,000	10,332,000	
Other Liabilities		236,250	262,500	288,750	315,000	
Total Liabilities		31,736,250	35,262,500	38,788,750	42,315,000	
EQUITY/CAPITAL						
Common Stock		5,500,000	5,500,000	5,500,000	5,500,000	
Surplus		0	0	0	0	
Undivided Profits		(378,237)	(195,079)	23,836	257,768	
Total Equity		5,121,763	5,304,921	5,523,836	5,757,768	
Total Liabil & Equit		36,858,013	40,567,421	44,312,586	48,072,768	

COMMUNITY BANK (Bozeman)						
INCOME STATEMENT PROFORMA II						
YEAR FOUR						
INTEREST INCOME	FHC-Y5Q2	FHC-Y5Q3	FHC-Y5Q4	4th Q	YEAR 4	
	1st Q	2nd Q	3rd Q		TOTALS	
Construction Loans	84,602	91,109	97,617	104,125	377,453	
Farm Land Loans	91,853	98,919	105,984	113,050	409,806	
Revolving 1-4 Family Residential Loans	45,927	49,459	52,992	56,525	204,903	
1st Lien 1-4 Family Residential Loans	84,118	90,589	97,059	103,530	375,296	
NonFarm Comm Residential Loans	91,853	98,919	105,984	113,050	409,806	
Ag Production & Farming Loans	137,760	148,378	158,977	169,575	614,709	
Commercial & Industrial Loans	169,203	182,219	195,234	208,250	754,906	
Installment/Personal Loans	203,044	218,663	234,281	249,900	905,888	
Taxable & Govt Securities	126,125	135,250	146,875	157,250	565,500	
Other Interest Income					0	
Total Interest Income	1,034,504	1,113,504	1,195,005	1,275,255	4,618,268	
INTEREST EXPENSE					0	
Transaction Accounts	42,440	45,705	48,969	52,234	189,348	
Money Market Dep Accts	79,284	85,383	91,481	97,560	353,728	
Other Savings Acct	41,974	45,203	48,431	51,660	187,268	
Time Deposits >\$100,000	160,899	173,276	185,653	198,030	717,859	
Time Deposits <\$100,000	153,904	165,743	177,581	189,420	686,648	
Total Interest Expense	478,501	515,309	552,116	588,924	2,134,850	
Net Interest Income	556,003	598,196	642,888	686,331	2,483,419	
LOSS PROVISION	52,063	52,063	52,063	52,063	208,250	
NON-INTEREST INCOME						
Service Charges	63,700	68,600	73,500	78,400	284,200	
Fee Income	48,533	52,267	56,000	59,733	216,533	
Rental Income	2,500	2,500	2,500	2,500	10,000	
Other Non-Interest Income					0	
Total Non-Interest Income	114,733	123,367	132,000	140,633	510,733	
NON-INTEREST EXPENSE						
Employee Benefit, Wages, Salaries	229,621	236,431	253,553	267,303	986,908	
Premises & Fixed Assets	59,107	28,967	29,067	50,463	167,605	
Other Operating Expenses	60,000	60,000	60,000	60,000	240,000	
DPS/Clearing	20,000	20,000	20,000	20,000	80,000	
Total Non-Interest Expense	368,728	345,398	362,620	397,766	1,474,513	
NET INCOME (LOSS)	249,946	324,102	360,205	377,135	1,311,389	
Income taxes					0	
Extraordinary Items & Adjustments					0	
NET EARNINGS	249,946	324,102	360,205	377,135	1,311,389	

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COMMUNITY BANK (Bozeman)					
BALANCE SHEET					
YEAR FOUR PROFORMA II					
		FHC-Y5Q2	FHC-Y5Q3	FHC-Y5Q4	
ASSETS		Q1	Q2	Q3	Q4
Cash & Balances Due from Depositor		3,609,285	3,880,047	3,986,911	4,210,706
	Non-Interest Bearing	1,309,285	1,480,047	1,486,911	1,610,706
	Interest Bearing	2,300,000	2,400,000	2,500,000	2,600,000
Securities Held to Maturity		8,250,000	8,900,000	9,750,000	10,500,000
Loans & Financing Receivables		38,288,250	41,233,500	44,178,750	47,124,000
	Construction	3,867,500	4,165,000	4,462,500	4,760,000
	Farmland	3,867,500	4,165,000	4,462,500	4,760,000
	Revolving 1-4 Family Residents	1,933,750	2,082,500	2,231,250	2,380,000
	1st Lien 1-4 Family Residents	3,867,500	4,165,000	4,462,500	4,760,000
	Non-Farm Residential	3,867,500	4,165,000	4,462,500	4,760,000
	Ag Production & Farming	5,801,250	6,247,500	6,693,750	7,140,000
	Commercial & Industrial	7,735,000	8,330,000	8,925,000	9,520,000
	Installment Loans - Personal	7,735,000	8,330,000	8,925,000	9,520,000
	Allowance for Loan Loss	(386,750)	(416,500)	(446,250)	(476,000)
Premises & Fixed Assets		1,596,429	1,580,769	1,565,110	1,549,451
	Land	500,000	500,000	500,000	500,000
	Building & Equipment	1,300,000	1,300,000	1,300,000	1,300,000
	Depreciation	(203,571)	(219,231)	(234,890)	(250,549)
Total Assets		51,743,964	55,594,316	59,480,771	63,384,157
LIABILITIES					
Transaction Deposit Accounts		13,040,300	14,043,400	15,046,500	16,049,600
	Demand	8,190,000	8,820,000	9,450,000	10,080,000
	Now, ATS, Other Interest Brg	4,850,300	5,223,400	5,596,500	5,969,600
Non-Transaction Deposit Accounts		32,459,700	34,956,600	37,453,500	39,950,400
	MMDA's	6,342,700	6,830,600	7,318,500	7,806,400
	Savings	3,731,000	4,018,000	4,305,000	4,592,000
	Time Deposits >\$100,000	11,193,000	12,054,000	12,915,000	13,776,000
	Time Deposits <\$100,000	11,193,000	12,054,000	12,915,000	13,776,000
Other Liabilities		236,250	262,500	288,750	315,000
Total Liabilities		45,736,250	49,262,500	52,788,750	56,315,000
EQUITY/CAPITAL					
Common Stock		5,500,000	5,500,000	5,500,000	5,500,000
Surplus		0	0	0	0
Undivided Profits		507,714	831,816	1,192,021	1,569,157
Total Equity		6,007,714	6,331,816	6,692,021	7,069,157
Total Liabil & Equit		51,743,964	55,594,316	59,480,771	63,384,157

COMMUNITY BANK (Missoula)

BALANCE SHEET

OPENING PROFORMA II

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ASSETS		FHC-Y2Q2	Q0
Cash & Balances Due from Depository			150,000
	Non-Interest Bearing		150,000
	Interest Bearing		
Securities Held to Maturity			1,800,000
Loans & Financing Receivables			
	Construction		
	Farmland		
	Revolving 1-4 Family Residents		
	1st Lien 1-4 Family Residents		
	Non-Farm Comm Residential		
	Ag Production & Farming		
	Commercial & Industrial		
	Installment Loans - Personal		
	Allowance for Loan Loss		
Premises & Fixed Assets			1,250,000
	Land		250,000
	Building & Equipment		1,000,000
	Depreciation		
Total Assets			3,200,000
LIABILITIES			
Transaction Deposit Accounts			
	Demand		
	Now, ATS, Other Interest Brg		
Non-Transaction Deposit Accounts			
	MMDA's		
	Savings		
	Time Deposits >\$100,000		
	Time Deposits <\$100,000		
Other Liabilities			
Total Liabilities			0
EQUITY/CAPITAL			
Common Stock			3,500,000
Surplus			
Undivided Profits			(300,000)
Total Equity			3,200,000
Total Liabilities & Equity			3,200,000

COMMUNITY BANK (Missoula)						
INCOME STATEMENT PROFORMA II						
YEAR ONE		FHC-Y2Q3	FHC-Y2Q4	FHC-Y3Q1	FHC-Y3Q2	YEAR 1
INTEREST INCOME		1st Q	2nd Q	3rd Q	4th Q	TOTALS
Construction Loans		2,654	5,307	7,961	10,614	26,536
Farm Land Loans		2,948	5,897	8,845	11,794	29,484
Revolving 1-4 Family Residential Loans		1,474	2,948	4,423	5,897	14,742
1st Lien 1-4 Family Residential Loans		2,634	5,268	7,902	10,536	26,339
NonFarm Comm Residential Loans		2,948	5,897	8,845	11,794	29,484
Ag Production & Farming Loans		4,423	8,845	13,268	17,691	44,227
Commercial & Industrial Loans		4,914	9,828	14,742	19,656	49,141
Installment/Personal Loans		6,683	13,366	20,049	26,733	66,831
Taxable & Govt Securities		11,500	12,500	14,375	16,250	54,625
Other Interest Income						0
Total Interest Income		40,178	69,857	100,410	130,964	341,410
INTEREST EXPENSE						
Transaction Accounts		740	1,479	2,219	2,958	7,395
Money Market Dep Accts		1,934	3,868	5,803	7,737	19,342
Other Savings Acct		948	1,896	2,844	3,793	9,481
Time Deposits >\$100,000		4,267	8,533	12,800	17,066	42,666
Time Deposits <\$100,000		3,982	7,964	11,946	15,929	39,821
Total Interest Expense		11,871	23,741	35,612	47,482	118,705
Net Interest Income		28,308	46,116	64,799	83,482	222,704
LOSS PROVISION		19,656	19,656	19,656	19,656	78,625
NON-INTEREST INCOME						
Service Charges		2,590	5,180	7,770	10,360	25,900
Fee Income		1,973	3,947	5,920	7,893	19,733
Rental Income		2,500	2,500	2,500	2,500	10,000
Other Non-Interest Income						0
Total Non-Interest Income		7,063	11,627	16,190	20,753	55,633
NON-INTEREST EXPENSE						
Employee Benefit, Wages, Salaries		84,125	84,125	90,125	90,125	348,500
Premises & Fixed Assets		35,856	18,356	18,456	35,956	108,625
Other Operating Expenses		20,000	20,000	20,000	20,000	80,000
DPS/Clearing		15,000	15,000	15,000	15,000	60,000
Total Non-Interest Expense		154,981	137,481	143,581	161,081	597,125
NET INCOME (LOSS)		(139,266)	(99,395)	(82,249)	(76,502)	(397,412)
Income taxes						0
Extraordinary Items & Adjustments						0
NET EARNINGS		(139,266)	(99,395)	(82,249)	(76,502)	(397,412)

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COMMUNITY BANK (Missoula)

BALANCE SHEET

YEAR ONE PROFORMA II

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	FHC-Y2Q3	FHC-Y2Q4	FHC-Y3Q1	FHC-Y3Q2
ASSETS	Q1	Q2	Q3	Q4
Cash & Balances Due from Depositors	1,131,570	1,353,011	1,341,599	1,335,933
Non-Interest Bearing	331,570	353,011	341,599	335,933
Interest Bearing	800,000	1,000,000	1,000,000	1,000,000
Securities Held to Maturity	1,000,000	1,000,000	1,250,000	1,500,000
Loans & Financing Receivables	1,556,775	3,113,550	4,670,325	6,227,100
Construction	157,250	314,500	471,750	629,000
Farmland	157,250	314,500	471,750	629,000
Revolving 1-4 Family Residents	78,625	157,250	235,875	314,500
1st Lien 1-4 Family Residents	157,250	314,500	471,750	629,000
Non-Farm Comm Residential	157,250	314,500	471,750	629,000
Ag Production & Farming	235,875	471,750	707,625	943,500
Commercial & Industrial	314,500	629,000	943,500	1,258,000
Installment Loans - Personal	314,500	629,000	943,500	1,258,000
Allowance for Loan Loss	(15,725)	(31,450)	(47,175)	(62,900)
Premises & Fixed Assets	1,236,264	1,222,527	1,208,791	1,195,055
Land	250,000	250,000	250,000	250,000
Building & Equipment	1,000,000	1,000,000	1,000,000	1,000,000
Depreciation	(13,736)	(27,473)	(41,209)	(54,945)
Total Assets	4,924,609	6,689,089	8,470,715	10,258,088
LIABILITIES				
Transaction Deposit Accounts	530,210	1,060,420	1,590,630	2,120,840
Demand	333,000	666,000	999,000	1,332,000
Now, ATS, Other Interest Brg	197,210	394,420	591,630	788,840
Non-Transaction Deposit Accounts	1,319,790	2,639,580	3,959,370	5,279,160
MMDA's	257,890	515,780	773,670	1,031,560
Savings	151,700	303,400	455,100	606,800
Time Deposits >\$100,000	455,100	910,200	1,365,300	1,820,400
Time Deposits <\$100,000	455,100	910,200	1,365,300	1,820,400
Other Liabilities	13,875	27,750	41,625	55,500
Total Liabilities	1,863,875	3,727,750	5,591,625	7,455,500
EQUITY/CAPITAL				
Common Stock	3,500,000	3,500,000	3,500,000	3,500,000
Surplus	0	0	0	0
Undivided Profits	(439,266)	(538,661)	(620,910)	(697,412)
Total Equity	3,060,734	2,961,339	2,879,090	2,802,588
Total Liabil & Equit	4,924,609	6,689,089	8,470,715	10,258,088

COMMUNITY BANK (Missoula)								
INCOME STATEMENT PROFORMA II								
YEAR TWO		FHC-Y3Q3	FHC-Y3Q4	FHC-Y4Q1	FHC-Y4Q2	YEAR 2		
INTEREST INCOME		1st Q	2nd Q	3rd Q	4th Q	TOTALS		
Construction Loans		15,234	18,280	21,327	24,374	79,215		
Farm Land Loans		16,708	20,049	23,391	26,733	86,881		
Revolving 1-4 Family Residential Loans		8,354	10,025	11,695	13,366	43,440		
1st Lien 1-4 Family Residential Loans		15,135	18,162	21,189	24,217	78,704		
NonFarm Comm Residential Loans		16,708	20,049	23,391	26,733	86,881		
Ag Production & Farming Loans		25,062	30,074	35,086	40,099	130,321		
Commercial & Industrial Loans		28,502	34,202	39,902	45,603	148,208		
Installment/Personal Loans		37,347	44,816	52,286	59,755	194,204		
Taxable & Govt Securities		23,875	26,375	29,375	32,375	112,000		
Other Interest Income						0		
Total Interest Income		186,924	222,033	257,643	293,253	959,853		
INTEREST EXPENSE						0		
Transaction Accounts		6,163	7,395	8,628	9,861	32,047		
Money Market Dep Accts		12,895	15,473	18,062	20,631	67,061		
Other Savings Acct		6,637	7,964	9,292	10,619	34,512		
Time Deposits >\$100,000		27,022	32,426	37,830	43,235	140,512		
Time Deposits <\$100,000		25,599	30,719	35,839	40,959	133,117		
Total Interest Expense		78,315	93,978	109,641	125,304	407,239		
Net Interest Income		108,608	128,055	148,002	167,949	552,614		
LOSS PROVISION		23,588	23,588	23,588	23,588	94,350		
NON-INTEREST INCOME						0		
Service Charges		12,950	15,540	18,130	20,720	67,340		
Fee Income		9,867	11,840	13,813	15,787	51,307		
Rental Income		2,500	2,500	2,500	2,500	10,000		
Other Non-Interest Income						0		
Total Non-Interest Income		25,317	29,880	34,443	39,007	128,647		
NON-INTEREST EXPENSE						0		
Employee Benefit, Wages, Salaries		112,756	119,056	119,056	119,056	469,925		
Premises & Fixed Assets		39,968	19,068	19,068	37,818	115,923		
Other Operating Expenses		35,000	35,000	35,000	35,000	140,000		
DPS/Cleaning		15,000	15,000	15,000	15,000	60,000		
Total Non-Interest Expense		202,725	188,125	188,125	206,875	785,848		
NET INCOME (LOSS)		(92,387)	(53,777)	(29,267)	(23,507)	(198,937)		
Income taxes						0		
Extraordinary Items & Adjustments						0		
NET EARNINGS		(92,387)	(53,777)	(29,267)	(23,507)	(198,937)		

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COMMUNITY BANK (Missoula)

BALANCE SHEET

YEAR TWO PROFORMA II

	FHC-Y3Q3	FHC-Y3Q4	FHC-Y4Q1	FHC-Y4Q2
	Q1	Q2	Q3	Q4
ASSETS				
Cash & Balances Due from Depo	1,614,382	1,631,442	1,623,011	1,620,340
Non-Interest Bearing	364,382	381,442	373,011	370,340
Interest Bearing	1,250,000	1,250,000	1,250,000	1,250,000
Securities Held to Maturity	1,450,000	1,700,000	2,000,000	2,300,000
Loans & Financing Receivables	7,783,875	9,340,650	10,897,425	12,454,200
Construction	786,250	943,500	1,100,750	1,258,000
Farmland	786,250	943,500	1,100,750	1,258,000
Revolving 1-4 Family Residents	393,125	471,750	550,375	629,000
1st Lien 1-4 Family Residents	786,250	943,500	1,100,750	1,258,000
Non-Farm Residential	786,250	943,500	1,100,750	1,258,000
Ag Production & Farming	1,179,375	1,415,250	1,651,125	1,887,000
Commercial & Industrial	1,572,500	1,887,000	2,201,500	2,516,000
Installment Loans - Personal	1,572,500	1,887,000	2,201,500	2,516,000
Allowance for Loan Loss	(78,625)	(94,350)	(110,075)	(125,800)
Premises & Fixed Assets	1,181,319	1,167,582	1,153,846	1,140,110
Land	250,000	250,000	250,000	250,000
Building & Equipment	1,000,000	1,000,000	1,000,000	1,000,000
Depreciation	(68,681)	(82,418)	(96,154)	(109,890)
Total Assets	12,029,576	13,839,674	15,674,282	17,514,650
LIABILITIES				
Transaction Deposit Accounts	2,651,050	3,181,260	3,711,470	4,241,680
Demand	1,665,000	1,998,000	2,331,000	2,664,000
Now, ATS, Other Interest Brg	986,050	1,183,260	1,380,470	1,577,680
Non-Transaction Deposit Account	6,598,950	7,918,740	9,238,530	10,558,320
MMDA's	1,289,450	1,547,340	1,805,230	2,063,120
Savings	758,500	910,200	1,061,900	1,213,600
Time Deposits >\$100,000	2,275,500	2,730,600	3,185,700	3,640,800
Time Deposits <\$100,000	2,275,500	2,730,600	3,185,700	3,640,800
Other Liabilities	69,375	83,250	97,125	111,000
Total Liabilities	9,319,375	11,183,250	13,047,125	14,911,000
EQUITY/CAPITAL				
Common Stock	3,500,000	3,500,000	3,500,000	3,500,000
Surplus	0	0	0	0
Undivided Profits	(789,799)	(843,576)	(872,843)	(896,350)
Total Equity	2,710,201	2,656,424	2,627,157	2,603,650
Total Liabil & Equit	12,029,576	13,839,674	15,674,282	17,514,650

COMMUNITY BANK (Missoula)						
INCOME STATEMENT PROFORMA II						
YEAR THREE	FHC-Y4Q3	FHC-Y4Q4	FHC-Y5Q1	FHC-Y5Q4	YEAR 3	
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	TOTALS	
Construction Loans	29,190	32,433	35,676	38,919	136,218	
Farm Land Loans	31,843	35,381	38,919	42,458	148,601	
Revolving 1-4 Family Residential Loans	15,922	17,691	19,460	21,229	74,301	
1st Lien 1-4 Family Residential Loans	29,013	32,236	35,460	38,684	135,392	
NonFarm Comm Residential Loans	31,843	35,381	38,919	42,458	148,601	
Ag Production & Farming Loans	47,765	53,072	58,379	63,686	222,902	
Commercial & Industrial Loans	58,379	64,866	71,352	77,839	272,436	
Installment/Personal Loans	70,763	78,625	86,488	94,350	330,225	
Taxable & Govt Securities	39,000	42,375	46,875	50,250	178,500	
Other Interest Income					0	
Total Interest Income	353,716	392,060	431,528	469,872	1,647,176	0
INTEREST EXPENSE						
Transaction Accounts	13,312	14,791	16,270	17,749	62,121	
Money Market Dep Accts	26,111	29,013	31,914	34,815	121,853	
Other Savings Acct	13,653	15,170	16,687	18,204	63,714	
Time Deposits >\$100,000	53,759	59,732	65,705	71,678	250,874	
Time Deposits <\$100,000	51,199	56,888	62,576	68,265	238,928	
Total Interest Expense	158,033	175,593	193,152	210,711	737,490	
Net Interest Income	195,683	216,467	238,376	259,160	909,686	
LOSS PROVISION	27,519	27,519	27,519	27,519	110,075	
NON-INTEREST INCOME						
Service Charges	23,310	25,900	28,490	31,080	108,780	
Fee Income	17,760	19,733	21,707	23,680	82,880	
Rental Income	2,500	2,500	2,500	2,500	10,000	
Other Non-Interest Income					0	
Total Non-Interest Income	43,570	48,133	52,697	57,260	201,660	
NON-INTEREST EXPENSE						
Employee Benefit, Wages, Salaries	132,088	143,275	149,875	163,625	588,863	
Premises & Fixed Assets	44,780	19,680	19,780	40,005	124,246	
Other Operating Expenses	45,000	45,000	45,000	45,000	180,000	
DPS/Clearing	15,000	15,000	15,000	15,000	60,000	
Total Non-Interest Expense	236,868	222,955	229,655	263,630	953,109	
NET INCOME (LOSS)	(25,134)	14,126	33,899	25,271	48,163	
Income taxes					0	
Extraordinary Items & Adjustments					0	
NET EARNINGS	(25,134)	14,126	33,899	25,271	48,163	

The projected income and expense statements and the balance sheets and their components are estimates only. Actual results may vary greatly from the projected and estimated numbers. Actual numbers may in fact be considerably worse than these estimates.

COMMUNITY BANK (Missoula)

BALANCE SHEET

YEAR THREE PROFORMA II

The projected income and expense statements and the balance sheets and their components are estimates only. Actual results may vary greatly from the projected and estimated numbers. Actual numbers may in fact be considerably worse than these estimates.

	FHC-Y4Q3	FHC-Y4Q4	FHC-Y5Q1	FHC-Y5Q2
ASSETS	Q1	Q2	Q3	Q4
Cash & Balances Due from Depo	1,916,043	1,951,005	1,905,741	1,951,848
Non-Interest Bearing	416,043	451,005	405,741	451,848
Interest Bearing	1,500,000	1,500,000	1,500,000	1,500,000
Securities Held to Maturity	2,300,000	2,600,000	3,000,000	3,300,000
Loans & Financing Receivables	14,010,975	15,567,750	17,124,525	18,681,300
Construction	1,415,250	1,572,500	1,729,750	1,887,000
Farmland	1,415,250	1,572,500	1,729,750	1,887,000
Revolving 1-4 Family Residents	707,625	786,250	864,875	943,500
1st Lien 1-4 Family Residents	1,415,250	1,572,500	1,729,750	1,887,000
Non-Farm Residential	1,415,250	1,572,500	1,729,750	1,887,000
Ag Production & Farming	2,122,875	2,358,750	2,594,625	2,830,500
Commercial & Industrial	2,830,500	3,145,000	3,459,500	3,774,000
Installment Loans - Personal	2,830,500	3,145,000	3,459,500	3,774,000
Allowance for Loan Loss	(141,525)	(157,250)	(172,975)	(188,700)
Premises & Fixed Assets	1,126,374	1,112,637	1,098,901	1,085,165
Land	250,000	250,000	250,000	250,000
Building & Equipment	1,000,000	1,000,000	1,000,000	1,000,000
Depreciation	(123,626)	(137,363)	(151,099)	(164,835)
Total Assets	19,353,392	21,231,393	23,129,167	25,018,313
LIABILITIES				
Transaction Deposit Accounts	4,771,890	5,302,100	5,832,310	6,362,520
Demand	2,997,000	3,330,000	3,663,000	3,996,000
Now, ATS, Other Interest Brg	1,774,890	1,972,100	2,169,310	2,366,520
Non-Transaction Deposit Account	11,878,110	13,197,900	14,517,690	15,837,480
MMDA's	2,321,010	2,578,900	2,836,790	3,094,680
Savings	1,365,300	1,517,000	1,668,700	1,820,400
Time Deposits >\$100,000	4,095,900	4,551,000	5,006,100	5,461,200
Time Deposits <\$100,000	4,095,900	4,551,000	5,006,100	5,461,200
Other Liabilities	124,875	138,750	152,625	166,500
Total Liabilities	16,774,875	18,638,750	20,502,625	22,366,500
EQUITY/CAPITAL				
Common Stock	3,500,000	3,500,000	3,500,000	3,500,000
Surplus	0	0	0	0
Undivided Profits	(921,483)	(907,357)	(873,458)	(848,187)
Total Equity	2,578,517	2,592,643	2,626,542	2,651,813
Total Liabil & Equity	19,353,392	21,231,393	23,129,167	25,018,313

COMMUNITY BANK (Missoula)		INCOME STATEMENT PROFORMA II				YEAR 4
YEAR FOUR		FHC-Y5Q3	FHC-Y5Q4	TOTALS		
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	TOTALS	
Construction Loans	44,718	48,158	51,598	55,038	199,511	
Farm Land Loans	48,551	52,286	56,020	59,755	216,612	
Revolving 1-4 Family Residential Loans	24,275	26,143	28,010	29,878	108,306	
1st Lien 1-4 Family Residential Loans	44,462	47,883	51,303	54,723	198,371	
NonFarm Comm Residential Loans	48,551	52,286	56,020	59,755	216,612	
Ag Production & Farming Loans	72,826	78,428	84,030	89,633	324,918	
Commercial & Industrial Loans	89,436	96,316	103,195	110,075	399,022	
Installment/Personal Loans	107,323	115,579	123,834	132,090	478,826	
Taxable & Govt Securities	59,875	64,125	69,125	74,125	267,250	
Other Interest Income					0	
Total Interest Income	540,018	581,202	623,136	665,071	2,409,427	
INTEREST EXPENSE					0	
Transaction Accounts	22,433	24,158	25,884	27,609	100,084	
Money Market Dep Accts	41,907	45,131	48,354	51,578	186,970	
Other Savings Acct	22,186	23,893	25,599	27,306	98,984	
Time Deposits >\$100,000	85,047	91,589	98,131	104,673	379,440	
Time Deposits <\$100,000	81,349	87,607	93,884	100,122	362,942	
Total Interest Expense	252,922	272,377	291,833	311,288	1,128,420	
Net Interest Income	287,096	308,825	331,304	353,782	1,281,007	
LOSS PROVISION	27,519	27,519	27,519	27,519	110,075	
NON-INTEREST INCOME						
Service Charges	33,670	36,260	38,850	41,440	150,220	
Fee Income	25,663	27,627	29,600	31,573	114,453	
Rental Income	2,500	2,500	2,500	2,500	10,000	
Other Non-Interest Income					0	
Total Non-Interest Income	61,823	66,387	70,950	75,513	274,673	
NON-INTEREST EXPENSE						
Employee Benefit, Wages, Salaries	174,219	181,029	181,029	181,029	717,308	
Premises & Fixed Assets	55,784	25,644	26,044	42,782	150,255	
Other Operating Expenses	50,000	50,000	50,000	50,000	200,000	
DPS/Clearing	20,000	20,000	20,000	20,000	80,000	
Total Non-Interest Expense	300,004	276,674	277,074	293,811	1,147,562	
NET INCOME (LOSS)	21,397	71,019	97,661	107,966	298,043	
Income taxes					0	
Extraordinary Items & Adjustments					0	
NET EARNINGS	21,397	71,019	97,661	107,966	298,043	

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COMMUNITY BANK (Missoula)

BALANCE SHEET

YEAR FOUR PROFORMA II

The projected income and expense statements and the balance sheets and their components are **estimates only**. Actual results may vary greatly from the projected and estimated numbers. Actual numbers may in fact be considerably worse than these estimates.

	FHC-Y5Q3	FHC-Y5Q4		
ASSETS	Q1	Q2	Q3	Q4
Cash & Balances Due from Depositors	1,788,582	2,080,437	2,098,935	2,127,736
Non-Interest Bearing	488,582	480,437	498,935	527,736
Interest Bearing	1,300,000	1,600,000	1,600,000	1,600,000
Securities Held to Maturity	3,750,000	3,850,000	4,250,000	4,650,000
Loans & Financing Receivables	20,238,075	21,794,850	23,351,625	24,908,400
Construction	2,044,250	2,201,500	2,358,750	2,516,000
Farmland	2,044,250	2,201,500	2,358,750	2,516,000
Revolving 1-4 Family Residents	1,022,125	1,100,750	1,179,375	1,258,000
1st Lien 1-4 Family Residents	2,044,250	2,201,500	2,358,750	2,516,000
Non-Farm Residential	2,044,250	2,201,500	2,358,750	2,516,000
Ag Production & Farming	3,066,375	3,302,250	3,538,125	3,774,000
Commercial & Industrial	4,088,500	4,403,000	4,717,500	5,032,000
Installment Loans - Personal	4,088,500	4,403,000	4,717,500	5,032,000
Allowance for Loan Loss	(204,425)	(220,150)	(235,875)	(251,600)
Premises & Fixed Assets	1,071,429	1,057,692	1,043,956	1,030,220
Land	250,000	250,000	250,000	250,000
Building & Equipment	1,000,000	1,000,000	1,000,000	1,000,000
Depreciation	(178,571)	(192,308)	(206,044)	(219,780)
Total Assets	26,848,085	28,782,980	30,744,516	32,716,356
LIABILITIES				
Transaction Deposit Accounts	6,892,730	7,422,940	7,953,150	8,483,360
Demand	4,329,000	4,662,000	4,995,000	5,328,000
Now, ATS, Other Interest Brg	2,563,730	2,760,940	2,958,150	3,155,360
Non-Transaction Deposit Accounts	17,157,270	18,477,060	19,796,850	21,116,640
MMDA's	3,352,570	3,610,460	3,868,350	4,126,240
Savings	1,972,100	2,123,800	2,275,500	2,427,200
Time Deposits >\$100,000	5,916,300	6,371,400	6,826,500	7,281,600
Time Deposits <\$100,000	5,916,300	6,371,400	6,826,500	7,281,600
Other Liabilities	124,875	138,750	152,625	166,500
Total Liabilities	24,174,875	26,038,750	27,902,625	29,766,500
EQUITY/CAPITAL				
Common Stock	3,500,000	3,500,000	3,500,000	3,500,000
Surplus	0	0	0	0
Undivided Profits	(826,790)	(755,770)	(658,109)	(550,144)
Total Equity	2,673,210	2,744,230	2,841,891	2,949,856
Total Liabil & Equit	26,848,085	28,782,980	30,744,516	32,716,356

COMMUNITY BANK (Helena)
BALANCE SHEET
OPENING PROFORMA II

The projected income and expense statements and the balance sheets and their components are estimates only. Actual results may vary greatly from the projected and estimated numbers. Actual numbers may in fact be considerably worse than these estimates.

ASSETS		FHC-Y2Q3	Q0
Cash & Balances Due from Depository			100,000
	Non-Interest Bearing		100,000
	Interest Bearing		
Securities Held to Maturity			1,800,000
Loans & Financing Receivables			
	Construction		
	Farmland		
	Revolving 1-4 Family Residents		
	1st Lien 1-4 Family Residents		
	Non-Farm Comm Residential		
	Ag Production & Farming		
	Commercial & Industrial		
	Installment Loans - Personal		
	Allowance for Loan Loss		
Premises & Fixed Assets			1,250,000
	Land		250,000
	Building & Equipment		1,000,000
	Depreciation		
Total Assets			3,150,000
LIABILITIES			
Transaction Deposit Accounts			
	Demand		
	Now, ATS, Other Interest Brg		
Non-Transaction Deposit Accounts			
	MMDA's		
	Savings		
	Time Deposits >\$100,000		
	Time Deposits <\$100,000		
Other Liabilities			
Total Liabilities			0
EQUITY/CAPITAL			
Common Stock			3,500,000
Surplus			
Undivided Profits			(350,000)
Total Equity			3,150,000
Total Liabilities & Equity			3,150,000

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COMMUNITY BANK (Helena)					
INCOME STATEMENT PROFORMA II					
	YEAR ONE		YEAR 1		
INTEREST INCOME	FHC-Y2Q4 1st Q	FHC-Y3Q1 2nd Q	FHC-Y3Q2 3rd Q	FHC-Y3Q3 4th Q	TOTALS
Construction Loans	2,295	4,590	6,885	9,180	22,950
Farm Land Loans	2,550	5,100	7,650	10,200	25,500
Revolving 1-4 Family Residential Loans	1,275	2,550	3,825	5,100	12,750
1st Lien 1-4 Family Residential Loans	2,278	4,556	6,834	9,112	22,780
NonFarm Comm Residential Loans	2,550	5,100	7,650	10,200	25,500
Ag Production & Farming Loans	3,825	7,650	11,475	15,300	38,250
Commercial & Industrial Loans	4,250	8,500	12,750	17,000	42,500
Installment/Personal Loans	5,780	11,560	17,340	23,120	57,800
Taxable & Govt Securities	11,500	12,000	12,750	13,500	49,750
Other Interest Income					0
Total Interest Income	36,303	61,606	87,159	112,712	297,780
INTEREST EXPENSE					
Transaction Accounts	640	1,279	1,919	2,558	6,396
Money Market Dep Accts	1,673	3,346	5,018	6,691	16,728
Other Savings Acct	820	1,640	2,460	3,280	8,200
Time Deposits >\$100,000	3,690	7,380	11,070	14,760	36,900
Time Deposits <\$100,000	3,444	6,888	10,332	13,776	34,440
Total Interest Expense	10,266	20,533	30,799	41,066	102,664
Net Interest Income	26,037	41,073	56,360	71,646	195,116
LOSS PROVISION					
	17,000	17,000	17,000	17,000	68,000
NON-INTEREST INCOME					
Service Charges	2,240	4,480	6,720	8,960	22,400
Fee Income	1,707	3,413	5,120	6,827	17,067
Rental Income	2,500	2,500	2,500	2,500	10,000
Other Non-Interest Income					0
Total Non-Interest Income	6,447	10,393	14,340	18,287	49,467
NON-INTEREST EXPENSE					
Employee Benefit, Wages, Salaries	84,125	84,125	90,125	90,125	348,500
Premises & Fixed Assets	35,856	18,356	18,456	35,956	108,625
Other Operating Expenses	20,000	20,000	20,000	20,000	80,000
DPS/Clearing	15,000	15,000	15,000	15,000	60,000
Total Non-Interest Expense	154,981	137,481	143,581	161,081	597,125
NET INCOME (LOSS)					
Income taxes		(103,015)	(89,881)	(88,148)	(420,542)
Extraordinary Items & Adjustments					0
NET EARNINGS	(139,498)	(103,015)	(89,881)	(88,148)	(420,542)

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COMMUNITY BANK (Helena)							
BALANCE SHEET							
YEAR ONE PROFORMA II							
		FHC-Y2Q4	FHC-Y3Q1	FHC-Y3Q2	FHC-Y3Q3		
ASSETS		Q1	Q2	Q3	Q4		
Cash & Balances Due from Deposito		1,039,838	1,216,160	1,405,615	1,596,803		
	Non-Interest Bearing	239,838	316,160	355,615	396,803		
	Interest Bearing	800,000	900,000	1,050,000	1,200,000		
Securities Held to Maturity		1,000,000	1,000,000	1,000,000	1,000,000		
Loans & Financing Receivables		1,346,400	2,692,800	4,039,200	5,385,600		
	Construction	136,000	272,000	408,000	544,000		
	Farmland	136,000	272,000	408,000	544,000		
	Revolving 1-4 Family Residents	68,000	136,000	204,000	272,000		
	1st Lien 1-4 Family Residents	136,000	272,000	408,000	544,000		
	Non-Farm Comm Residential	136,000	272,000	408,000	544,000		
	Ag Production & Farming	204,000	408,000	612,000	816,000		
	Commercial & Industrial	272,000	544,000	816,000	1,088,000		
	Installment Loans - Personal	272,000	544,000	816,000	1,088,000		
	Allowance for Loan Loss	(13,600)	(27,200)	(40,800)	(54,400)		
Premises & Fixed Assets		1,236,264	1,222,527	1,208,791	1,195,055		
	Land	250,000	250,000	250,000	250,000		
	Building & Equipment	1,000,000	1,000,000	1,000,000	1,000,000		
	Depreciation	(13,736)	(27,473)	(41,209)	(54,945)		
Total Assets		4,622,502	6,131,487	7,653,606	9,177,458		
LIABILITIES							
Transaction Deposit Accounts		458,560	917,120	1,375,680	1,834,240		
	Demand	288,000	576,000	864,000	1,152,000		
	Now, ATS, Other Interest Brg	170,560	341,120	511,680	682,240		
Non-Transaction Deposit Accounts		1,141,440	2,282,880	3,424,320	4,565,760		
	MMDA's	223,040	446,080	669,120	892,160		
	Savings	131,200	262,400	393,600	524,800		
	Time Deposits >\$100,000	393,600	787,200	1,180,800	1,574,400		
	Time Deposits <\$100,000	393,600	787,200	1,180,800	1,574,400		
Other Liabilities		12,000	24,000	36,000	48,000		
Total Liabilities		1,612,000	3,224,000	4,836,000	6,448,000		
EQUITY/CAPITAL							
Common Stock		3,500,000	3,500,000	3,500,000	3,500,000		
Surplus		0	0	0	0		
Undivided Profits		(489,498)	(592,513)	(682,394)	(770,542)		
Total Equity		3,010,502	2,907,487	2,817,606	2,729,458		
Total Liabil & Equit		4,622,502	6,131,487	7,653,606	9,177,458		

COMMUNITY BANK (Helena)

INCOME STATEMENT PROFORMA II

YEAR TWO

	FHC-Y3Q4	FHC-Y4Q1	FHC-Y4Q2	FHC-Y4Q3	YEAR 2
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	TOTALS
Construction Loans	13,175	15,810	18,445	21,080	68,510
Farm Land Loans	14,450	17,340	20,230	23,120	75,140
Revolving 1-4 Family Residential Loans	7,225	8,670	10,115	11,560	37,570
1st Lien 1-4 Family Residential Loans	13,090	15,708	18,326	20,944	68,068
NonFarm Comm Residential Loans	14,450	17,340	20,230	23,120	75,140
Ag Production & Farming Loans	21,675	26,010	30,345	34,680	112,710
Commercial & Industrial Loans	24,650	29,580	34,510	39,440	128,180
Installment/Personal Loans	32,300	38,760	45,220	51,680	167,960
Taxable & Govt Securities	22,375	23,875	25,375	26,875	98,500
Other Interest Income	0	0	0	0	0
Total Interest Income	163,390	193,093	222,796	252,499	831,778
INTEREST EXPENSE					0
Transaction Accounts	5,330	6,396	7,462	8,528	27,716
Money Market Dep Accts	11,152	13,382	15,613	17,843	57,990
Other Savings Acct	5,740	6,888	8,036	9,184	29,848
Time Deposits >\$100,000	23,370	28,044	32,718	37,392	121,524
Time Deposits <\$100,000	22,140	26,568	30,996	35,424	115,128
Total Interest Expense	67,732	81,278	94,825	108,371	352,206
Net Interest Income	95,658	111,815	127,971	144,128	479,572
LOSS PROVISION	20,400	20,400	20,400	20,400	81,600
NON-INTEREST INCOME					0
Service Charges	11,200	13,440	15,680	17,920	58,240
Fee Income	8,533	10,240	11,947	13,663	44,373
Rental Income	2,500	2,500	2,500	2,500	10,000
Other Non-Interest Income	0	0	0	0	0
Total Non-Interest Income	22,233	26,180	30,127	34,073	112,613
NON-INTEREST EXPENSE					0
Employee Benefit, Wages, Salaries	112,756	119,056	119,056	119,056	469,925
Premises & Fixed Assets	39,968	19,068	19,068	37,818	115,923
Other Operating Expenses	35,000	35,000	35,000	35,000	140,000
DPS/Clearing	15,000	15,000	15,000	15,000	60,000
Total Non-Interest Expense	202,725	188,125	188,125	206,875	785,848
NET INCOME (LOSS)	(105,233)	(70,530)	(50,427)	(49,073)	(275,263)
Income taxes	0	0	0	0	0
Extraordinary Items & Adjustments	0	0	0	0	0
NET EARNINGS	(105,233)	(70,530)	(50,427)	(49,073)	(275,263)

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COMMUNITY BANK (Helena)						
BALANCE SHEET						
YEAR TWO PROFORMA II						
		FHC-Y3Q4	FHC-Y4Q1	FHC-Y4Q2	FHC-Y4Q3	
ASSETS		Q1	Q2	Q3	Q4	
Cash & Balances Due from Depo		1,170,906	1,379,712	1,608,622	1,838,885	
	Non-Interest Bearing	320,906	329,712	358,622	388,885	
	Interest Bearing	850,000	1,050,000	1,250,000	1,450,000	
Securities Held to Maturity		1,600,000	1,600,000	1,600,000	1,600,000	
Loans & Financing Receivables		6,732,000	8,078,400	9,424,800	10,771,200	
	Construction	680,000	816,000	952,000	1,088,000	
	Farmland	680,000	816,000	952,000	1,088,000	
	Revolving 1-4 Family Residents	340,000	408,000	476,000	544,000	
	1st Lien 1-4 Family Residents	680,000	816,000	952,000	1,088,000	
	Non-Farm Residential	680,000	816,000	952,000	1,088,000	
	Ag Production & Farming	1,020,000	1,224,000	1,428,000	1,632,000	
	Commercial & Industrial	1,360,000	1,632,000	1,904,000	2,176,000	
	Installment Loans - Personal	1,360,000	1,632,000	1,904,000	2,176,000	
	Allowance for Loan Loss	(68,000)	(81,600)	(95,200)	(108,800)	
Premises & Fixed Assets		1,181,319	1,167,582	1,153,846	1,140,110	
	Land	250,000	250,000	250,000	250,000	
	Building & Equipment	1,000,000	1,000,000	1,000,000	1,000,000	
	Depreciation	(68,681)	(82,418)	(96,154)	(109,890)	
Total Assets		10,684,224	12,225,695	13,787,268	15,350,194	
LIABILITIES						
Transaction Deposit Accounts		2,292,800	2,751,360	3,209,920	3,668,480	
	Demand	1,440,000	1,728,000	2,016,000	2,304,000	
	Now, ATS, Other Interest Brg	852,800	1,023,360	1,193,920	1,364,480	
Non-Transaction Deposit Accour		5,707,200	6,848,640	7,990,080	9,131,520	
	MMDA's	1,115,200	1,338,240	1,561,280	1,784,320	
	Savings	656,000	787,200	918,400	1,049,600	
	Time Deposits >\$100,000	1,968,000	2,361,600	2,755,200	3,148,800	
	Time Deposits <\$100,000	1,968,000	2,361,600	2,755,200	3,148,800	
Other Liabilities		60,000	72,000	84,000	96,000	
Total Liabilities		8,060,000	9,672,000	11,284,000	12,896,000	
EQUITY/CAPITAL						
Common Stock		3,500,000	3,500,000	3,500,000	3,500,000	
Surplus		0	0	0	0	
Undivided Profits		(875,776)	(946,305)	(996,732)	(1,045,806)	
Total Equity		2,624,224	2,553,695	2,503,268	2,454,194	
Total Liabil & Equit		10,684,224	12,225,695	13,787,268	15,350,194	

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COMMUNITY BANK (Helena)					
INCOME STATEMENT PROFORMA II					
YEAR THREE	FHC-Y4Q4	FHC-Y5Q1	FHC-Y5Q2	FHC-Y5Q3	YEAR 3
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	TOTALS
Construction Loans	25,245	28,050	30,855	33,660	117,810
Farm Land Loans	27,540	30,600	33,660	36,720	128,520
Revolving 1-4 Family Residential Loans	13,770	15,300	16,830	18,360	64,260
1st Lien 1-4 Family Residential Loans	25,092	27,880	30,668	33,456	117,096
NonFarm Comm Residential Loans	27,540	30,600	33,660	36,720	128,520
Ag Production & Farming Loans	41,310	45,900	50,490	55,080	192,780
Commercial & Industrial Loans	50,490	56,100	61,710	67,320	235,620
Installment/Personal Loans	61,200	68,000	74,800	81,600	285,600
Taxable & Govt Securities	33,000	35,188	36,938	39,125	144,250
Other Interest Income					0
Total Interest Income	305,187	337,618	369,611	402,041	1,414,456
INTEREST EXPENSE					0
Transaction Accounts	11,513	12,792	14,071	15,350	53,726
Money Market Dep Accts	22,583	25,092	27,601	30,110	105,386
Other Savings Acct	11,808	13,120	14,432	15,744	55,104
Time Deposits >\$100,000	46,484	51,660	56,826	61,992	216,972
Time Deposits <\$100,000	44,280	49,200	54,120	59,040	206,640
Total Interest Expense	136,678	151,864	167,050	182,237	637,829
Net Interest Income	168,509	185,754	202,560	219,804	776,627
LOSS PROVISION	23,800	23,800	23,800	23,800	95,200
NON-INTEREST INCOME					
Service Charges	20,160	22,400	24,640	26,880	94,080
Fee Income	15,360	17,067	18,773	20,480	71,680
Rental Income	2,500	2,500	2,500	2,500	10,000
Other Non-Interest Income					0
Total Non-Interest Income	38,020	41,967	45,913	49,860	175,760
NON-INTEREST EXPENSE					
Employee Benefit, Wages, Salaries	132,088	143,275	149,875	163,625	588,863
Premises & Fixed Assets	44,780	19,680	19,780	40,005	124,246
Other Operating Expenses	45,000	45,000	45,000	45,000	180,000
DPS/Clearing	15,000	15,000	15,000	15,000	60,000
Total Non-Interest Expense	236,868	222,955	229,655	263,630	953,109
NET INCOME (LOSS)	(54,138)	(19,035)	(4,982)	(17,766)	(95,921)
Income taxes					0
Extraordinary Items & Adjustments					0
NET EARNINGS	(54,138)	(19,035)	(4,982)	(17,766)	(95,921)

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COMMUNITY BANK (Helena)					
BALANCE SHEET					
YEAR THREE PROFORMA II					
		FHC-Y4Q4	FHC-Y5Q1	FHC-Y5Q2	FHC-Y5Q3
ASSETS		Q1	Q2	Q3	Q4
Cash & Balances Due from Depo		1,664,083	1,924,384	2,198,738	2,460,308
Non-Interest Bearing		464,083	474,384	548,738	560,308
Interest Bearing		1,200,000	1,450,000	1,650,000	1,900,000
Securities Held to Maturity		2,000,000	2,000,000	2,000,000	2,000,000
Loans & Financing Receivables		12,117,600	13,464,000	14,810,400	16,156,800
Construction		1,224,000	1,360,000	1,496,000	1,632,000
Farmland		1,224,000	1,360,000	1,496,000	1,632,000
Revolving 1-4 Family Residents		612,000	680,000	748,000	816,000
1st Lien 1-4 Family Residents		1,224,000	1,360,000	1,496,000	1,632,000
Non-Farm Residential		1,224,000	1,360,000	1,496,000	1,632,000
Ag Production & Farming		1,836,000	2,040,000	2,244,000	2,448,000
Commercial & Industrial		2,448,000	2,720,000	2,992,000	3,264,000
Installment Loans - Personal		2,448,000	2,720,000	2,992,000	3,264,000
Allowance for Loan Loss		(122,400)	(136,000)	(149,600)	(163,200)
Premises & Fixed Assets		1,126,374	1,112,637	1,098,901	1,085,165
Land		250,000	250,000	250,000	250,000
Building & Equipment		1,000,000	1,000,000	1,000,000	1,000,000
Depreciation		(123,626)	(137,363)	(151,099)	(164,835)
Total Assets		16,908,056	18,501,021	20,108,039	21,702,273
LIABILITIES					
Transaction Deposit Accounts		4,127,040	4,585,600	5,044,160	5,502,720
Demand		2,592,000	2,880,000	3,168,000	3,456,000
Now, ATS, Other Interest Brg		1,535,040	1,705,600	1,876,160	2,046,720
Non-Transaction Deposit Account		10,272,960	11,414,400	12,555,840	13,697,280
MMDA's		2,007,360	2,230,400	2,453,440	2,676,480
Savings		1,180,800	1,312,000	1,443,200	1,574,400
Time Deposits >\$100,000		3,542,400	3,936,000	4,329,600	4,723,200
Time Deposits <\$100,000		3,542,400	3,936,000	4,329,600	4,723,200
Other Liabilities		108,000	120,000	132,000	144,000
Total Liabilities		14,508,000	16,120,000	17,732,000	19,344,000
EQUITY/CAPITAL					
Common Stock		3,500,000	3,500,000	3,500,000	3,500,000
Surplus		0	0	0	0
Undivided Profits		(1,099,944)	(1,118,979)	(1,123,961)	(1,141,727)
Total Equity		2,400,056	2,381,021	2,376,039	2,358,273
Total Liabil & Equit		16,908,056	18,501,021	20,108,039	21,702,273

COMMUNITY BANK (Helena)					
INCOME STATEMENT PROFORMA II					
	YEAR FOUR				YEAR 4
	FHC-Y5Q4				TOTALS
INTEREST INCOME	1st Q	2nd Q	3rd Q	4th Q	
Construction Loans	38,675	41,650	44,625	47,600	172,550
Farm Land Loans	41,990	45,220	48,450	51,680	187,340
Revolving 1-4 Family Residential Loans	20,995	22,610	24,225	25,840	93,670
1st Lien 1-4 Family Residential Loans	38,454	41,412	44,370	47,328	171,564
NonFarm Comm Residential Loans	41,990	45,220	48,450	51,680	187,340
Ag Production & Farming Loans	62,985	67,830	72,675	77,520	281,010
Commercial & Industrial Loans	77,350	83,300	89,250	95,200	345,100
Installment/Personal Loans	92,820	99,960	107,100	114,240	414,120
Taxable & Govt Securities	47,375	50,375	53,875	56,875	208,500
Other Interest Income					0
Total Interest Income	462,634	497,577	533,020	567,963	2,061,194
INTEREST EXPENSE					0
Transaction Accounts	19,401	20,894	22,386	23,878	86,559
Money Market Dep Accts	36,244	39,032	41,820	44,608	161,704
Other Savings Acct	19,188	20,664	22,140	23,616	85,608
Time Deposits >\$100,000	73,554	79,212	84,870	90,528	328,164
Time Deposits <\$100,000	70,356	75,768	81,180	86,592	313,896
Total Interest Expense	218,743	235,570	252,396	269,222	975,931
Net Interest Income	243,891	262,007	280,624	298,741	1,085,263
LOSS PROVISION	23,800	23,800	23,800	23,800	95,200
NON-INTEREST INCOME					
Service Charges	29,120	31,360	33,600	35,840	129,920
Fee Income	22,187	23,893	25,600	27,307	98,987
Rental Income	2,500	2,500	2,500	2,500	10,000
Other Non-Interest Income					0
Total Non-Interest Income	53,807	57,753	61,700	65,647	238,907
NON-INTEREST EXPENSE					
Employee Benefit, Wages, Salaries	174,219	181,029	181,029	181,029	717,308
Premises & Fixed Assets	55,784	25,644	26,044	42,782	150,255
Other Operating Expenses	50,000	50,000	50,000	50,000	200,000
DPS/Cleaning	20,000	20,000	20,000	20,000	80,000
Total Non-Interest Expense	300,004	276,674	277,074	293,811	1,147,562
NET INCOME (LOSS)	(26,106)	19,287	41,450	46,776	81,407
Income taxes					0
Extraordinary Items & Adjustments					0
NET EARNINGS	(26,106)	19,287	41,450	46,776	81,407

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COMMUNITY BANK (Helena)					
BALANCE SHEET					
YEAR FOUR PROFORMA II					
		FHC-Y5Q4			
ASSETS		Q1	Q2	Q3	Q4
Cash & Balances Due from Depositor		1,915,538	2,214,162	2,534,948	2,861,061
Non-Interest Bearing		615,538	614,162	584,948	611,061
Interest Bearing		1,300,000	1,600,000	1,950,000	2,250,000
Securities Held to Maturity		2,750,000	2,750,000	2,750,000	2,750,000
Loans & Financing Receivables		17,503,200	18,849,600	20,196,000	21,542,400
Construction		1,768,000	1,904,000	2,040,000	2,176,000
Farmland		1,768,000	1,904,000	2,040,000	2,176,000
Revolving 1-4 Family Residents		884,000	952,000	1,020,000	1,088,000
1st Lien 1-4 Family Residents		1,768,000	1,904,000	2,040,000	2,176,000
Non-Farm Residential		1,768,000	1,904,000	2,040,000	2,176,000
Ag Production & Farming		2,652,000	2,856,000	3,060,000	3,264,000
Commercial & Industrial		3,536,000	3,808,000	4,080,000	4,352,000
Installment Loans - Personal		3,536,000	3,808,000	4,080,000	4,352,000
Allowance for Loan Loss		(176,800)	(190,400)	(204,000)	(217,600)
Premises & Fixed Assets		1,071,429	1,057,692	1,043,956	1,030,220
Land		250,000	250,000	250,000	250,000
Building & Equipment		1,000,000	1,000,000	1,000,000	1,000,000
Depreciation		(178,571)	(192,308)	(206,044)	(219,780)
Total Assets		23,240,167	24,871,454	26,524,904	28,183,681
LIABILITIES					
Transaction Deposit Accounts		5,961,280	6,419,840	6,878,400	7,336,960
Demand		3,744,000	4,032,000	4,320,000	4,608,000
Now, ATS, Other Interest Brg		2,217,280	2,387,840	2,558,400	2,728,960
Non-Transaction Deposit Accounts		14,838,720	15,980,160	17,121,600	18,263,040
MMDA's		2,899,520	3,122,560	3,345,600	3,568,640
Savings		1,705,600	1,836,800	1,968,000	2,099,200
Time Deposits >\$100,000		5,116,800	5,510,400	5,904,000	6,297,600
Time Deposits <\$100,000		5,116,800	5,510,400	5,904,000	6,297,600
Other Liabilities		108,000	120,000	132,000	144,000
Total Liabilities		20,908,000	22,520,000	24,132,000	25,744,000
EQUITY/CAPITAL					
Common Stock		3,500,000	3,500,000	3,500,000	3,500,000
Surplus		0	0	0	0
Undivided Profits		(1,167,833)	(1,148,546)	(1,107,096)	(1,060,319)
Total Equity		2,332,167	2,351,454	2,392,904	2,439,681
Total Liabil & Equit		23,240,167	24,871,454	26,524,904	28,183,681

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PMI Financial Holding Corp					
Proforma Consolidated Income Statement					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	TOTALS	TOTALS	TOTALS	TOTALS	TOTALS
Subsidiary Banks					
	-350,000	-360,531	134,919	642,465	1,167,354
Billings	0	-645,549	58,975	610,410	1,168,184
Bozeman	0	-538,661	-304,915	-63,782	151,586
Missoula	0	-489,498	-386,277	-224,168	-67,889
Helena	0				
Subsidiary Bank Net Operating Income	-350,000	-2,034,239	-497,298	964,925	2,419,235
Holding Company					
Management Expense	221,250	345,000	345,000	345,000	345,000
Interest Income	335,149	193,198	125,045	122,430	120,569
Service Income	10,000	40,000	80,000	120,000	120,000
Holding Company Net Operating Income	123,899	-111,802	-139,955	-102,570	-104,431
Consolidated PreTax Net Income	-226,101	-2,146,041	-637,253	862,355	2,314,804

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PMI FINANCIAL HOLDINGS CORP					
Proforma Consolidated Balance Sheet					
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
ASSETS					
Cash	17,623,899	5,012,097	4,872,144	4,769,572	4,665,140
Book Value Billings	5,150,000	4,789,469	4,924,387	5,566,853	6,734,206
Book Value Bozeman	0	4,854,451	4,913,426	5,523,836	6,692,021
Book Value Missoula	0	2,961,339	2,656,424	2,592,643	2,744,230
Book Value Helena	0	3,010,502	2,624,224	2,400,066	2,332,167
Total Book Value Subsidiary Banks	5,150,000	15,615,761	15,118,461	16,083,388	18,502,624
TOTAL ASSETS	22,773,899	20,627,858	19,990,605	20,852,960	23,167,764
LIABILITIES					
	0	0	0	0	0
EQUITY CAPITAL					
Common Stock	23,000,000	23,000,000	23,000,000	23,000,000	23,000,000
Undivided Profits Subsidiary Banks	-350,000	-2,384,239	-2,881,537	-1,916,612	502,623
Undivided Profits Holding Company Operations	123,899	12,097	-127,858	-230,428	-334,859
Total Equity	22,773,899	20,627,858	19,990,605	20,852,960	23,167,764
TOTAL LIABILITIES AND EQUITY	22,773,899	20,627,858	19,990,605	20,852,960	23,167,764

MANAGEMENT AGREEMENT

EXHIBIT B-1

NOTICE: THIS AGREEMENT IS SUBJECT TO ARBITRATION UNDER THE UNIFORM ARBITRATION ACT, M.C.A. §27-5-111 et seq.

THIS AGREEMENT made and entered into this 1st day of April, 2002, by and between PMI Financial Holdings Corp. (hereinafter referred to as "FHC"), and Prairie Mountain Investments, Inc. (hereinafter referred to as "PMI").

WHEREAS, FHC is a corporation in the City of Great Falls, County of Cascade, State of Montana, and is duly incorporated and is engaged in the business of investing, managing, soliciting, and building banking organizations and related enterprises with the intent and plan to establish four to eight bank subsidiaries within the next five years; and

WHEREAS, PMI is an investment management company, duly incorporated and doing business in the City of Great Falls, County of Cascade, State of Montana and as such maintains an office in said City, County, and State, properly equipped with furnishings, staff, books, and other equipment necessary and incidental to the proper operation of its business, and employees, including clerical employees, suitable to serving the public as an investment management company; and

WHEREAS, FHC requires management and executive supervision of its business, investments, marketing, budgets, and strategy for the building of its business, which duties and functions are typically undertaken by the officers of a corporation and PMI has the expertise and knowledge to perform these necessary tasks and functions; and

WHEREAS, it is deemed to be in the mutual interest of FHC and PMI to enter into this agreement upon the terms and conditions hereinafter set forth; and

NOW THEREFORE, for and in consideration of the mutual covenants and promises herein contained and each act done pursuant thereto, the undersigned hereby enter into the following Articles of Agreement:

ARTICLE I
Term of Agreement

The term of this Agreement shall be for a period beginning on the 1st day of April, 2002, and ending on the 31st day of March, 2007, both dates inclusive.

ARTICLE II
Facilities and Management

- A. PMI agrees to proceed diligently, faithfully, loyally, legally and with best efforts to manage, administer, supervise the business endeavors of FHC, and to make whatever recommendations as are necessary to assist decisions customarily and usually made by officers of FHC as those officers' duties are defined in FHC's By-Laws as PMI deems necessary to carry out its duties hereunder and for the best interests of FHC.
- B. PMI shall provide office equipment, staff, and office facilities at the office of PMI presently maintained and/or at such other places as PMI may from time to time utilize that are necessary in order to execute its duties and functions hereunder.
- C. FHC shall be wholly responsible for all operational staff, its facility, equipment and miscellaneous records necessary to do the day-to-day work of FHC. PMI shall oversee and supervise any and all of the endeavors of FHC and its subsidiaries and make recommendations and suggestions to FHC's Board of Directors as deemed necessary or advisable.

- D. PMI shall be wholly responsible for all payroll reports, taxes and deposits it owes for its employees due to its employment with FHC.

ARTICLE III Compensation

As compensation for services rendered during the term of this agreement, Management shall receive annual remuneration in the amount of 1.5% of capital raised by FHC which each year shall include any additional capital raised in that year by FHC. For example, if the capital raised by FHC in the first year of this agreement is two million dollars (\$2,000,000), PMI shall be paid thirty thousand dollars (\$30,000); if the capital raised by FHC in the second year is eight million dollars (\$8,000,000), (which includes the two million dollars plus six million dollars more), PMI shall be paid one hundred twenty thousand dollars (\$120,000) for its management services. PMI shall be paid on a monthly basis, said amount determined by calculating each month what one-twelfth (1/12) of the 1.5% of current capital raised as of that month for the term of this agreement.

ARTICLE IV Expenses

Unless specifically agreed, IN ADVANCE, PMI shall incur no costs in the execution of its duties except the usual expenses associated with the employment of staff needed to assist it in its duties hereunder. All operational expenses of FHC shall be the sole responsibility and liability of FHC. PMI shall be solely liable for all compensation it resolves or agrees to pay its officers, directors, and any other professionals engaged by it to provide services to it.

ARTICLE V Authority to Contract

PMI shall have no authority to bind, obligate or commit FHC by any promise or representation, unless specifically authorized by FHC, in writing, in a particular transaction, investment, acquisition, or liability. FHC shall have no authority to bind PMI to any commitment for services above and beyond its management services delineated and agreed to herein.

ARTICLE VI
Records, Correspondence, Forms, Documents

It is agreed by the parties hereto that all records, correspondence received, copies of all correspondence written, proposals, corporate records held, memoranda, files, legal opinions, accounting information, and any and all other documents or information of any nature whatsoever concerning FHC's business, are and shall remain the property of FHC, provided, however, that PMI is entitled to a copy of any document generated by it as part of its administration and management of FHC.

ARTICLE VII
Default and Hold Harmless

The parties hereto mutually agree that if either party shall be in default of, or breach any of the terms or conditions of this contract and such default or breach shall result in any loss or damage to the other party, then and in that event the defaulting party hereby agrees to pay to the other party any such loss or damage and further agrees to hold the other party harmless from any claim, demand, cause of action, or lawsuit which may result from any claim, demand, cause of action, or lawsuit which may result from or be caused by such breach of this contract. There is hereby granted to the non-defaulting party a contractual lien upon any sums due or owing to the other or which may be collected by the non-defaulting party and subsequently be due or owing to

the other party to cover the items described in this Article. If said sum shall not be liquidated in amount, then and in that event the non-defaulting party is authorized to retain said sum until said claim, demand, or cause of action shall be remedied.

ARTICLE VIII
Arbitration Agreement Procedure

In the event of disagreement or dispute between FHC and PMI, arising out of, or connected with this agreement, which cannot be adjusted by and between the parties involved under the terms and conditions of this agreement, the parties hereto agree to submit such disagreement or dispute to arbitration in accordance with the rules, regulations and procedures of the Uniform Arbitration Act, and PMI and FHC hereby agree to be bound by the decision of the said arbitrators.

ARTICLE IX
Termination

This agreement, and relationship created hereby, shall terminate as provided herein or may be terminated by either party hereto, with or without cause, at any time upon written notice given to the other; but the right of PMI to its remuneration for the term of this agreement shall be absolute unless PMI has breached this agreement and that determination has been reached by arbitration or before a court of competent jurisdiction.

Upon termination of this agreement, PMI further agrees not to furnish any person, firm, company, or corporation engaged in the banking business, any information as to FHC's clients, customers, properties, prices, terms of negotiations nor FHC's policies or relationships with clients and customers nor any other information concerning FHC and its business. PMI shall not, after termination of this agreement, remove from the files or from the

office of FHC any books and publications, records, investor lists, or any other materials, files or data, and it is expressly agreed that the aforementioned records and information are the property of FHC.

ARTICLE X
Miscellaneous

- A. Assignment. This agreement is personal to the parties hereto and may not be assigned, sold, or otherwise conveyed by either of them.
- B. Entire Agreement. This agreement constitutes the entire agreement between PMI and FHC and there are no agreements or understandings concerning such agreement which are not fully set forth herein.

WITNESS the signatures of the parties hereto the day and year first above written in duplicate.

PMI FINANCIAL HOLDINGS CORP.

By _____
Its _____

ATTEST: 1 April, 2002

“FHC”

PRAIRIE MOUNTAIN INVESTMENTS, INC.

By _____
Its _____

ATTEST: 1 April, 2002

“PMI”

AGREEMENT

EXHIBIT B-2

NOTICE: THIS AGREEMENT IS SUBJECT TO ARBITRATION UNDER THE UNIFORM ARBITRATION ACT, M.C.A. §27-5-111 et seq.

THIS AGREEMENT made effective upon the date entered into as indicated below, by and between PMI Financial Holdings Corp. (hereinafter referred to as "FHC"), and Prairie Mountain Investments, Inc. (hereinafter referred to as "PMI").

RECITALS

1. FHC is a company in the City of Great Falls, County of Cascade, State of Montana, duly incorporated under the laws of Montana, and is engaged in the business of investing, managing, soliciting, and building banking organizations in and around the State of Montana with the intent and plan to have four to eight bank subsidiaries in existence within the next five years; and
2. PMI is an investment management company, duly incorporated under the laws of Montana and doing business in the City of Great Falls, County of Cascade, State of Montana and as such maintains an office in said City, County, and State, properly equipped with furnishings, staff, books and other equipment necessary and incidental to the proper operation of its business, and employees, including clerical employees, suitable to serving the public as an investment management company; and
3. FHC requires assistance in the obtaining of conditional charters for state banks from the State of Montana and conditional approval for federal deposit insurance from the Federal Deposit Insurance Corporation and PMI has had experience and possesses the requisite

expertise and ability to obtain these approvals so that state banks can be established; and

4. For purposes of this agreement, a conditional charter for a state bank in Montana shall be the Findings of Fact, Conclusions of Law, and Order that a certificate of authority shall be issued by the State of Montana, Division of Banking, subject to certain conditions; and

5. Conditional approval for federal deposit insurance from the Federal Deposit Insurance Corporation for any bank which PMI obtains a conditional certificate of authority shall be a part of PMI's duties and responsibilities hereunder; and

6. It is deemed to be in the mutual interest of FHC and PMI to enter into this contract upon the terms and conditions hereinafter set forth.

IT IS THEREFORE AGREED:

A. REMUNERATION AND TERM. The term of this Agreement commences upon the signing of said agreement and continues for a period of five years.

FHC shall pay PMI the sum of ONE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$175,000.00) for each conditional certificate of authority from the State of Montana and acceptance of an application by the Federal Deposit Insurance Corporation which PMI obtains for FHC. The parties specifically agree that FHC intends to establish not less than four but not more than eight banks which shall require the conditional certificates of authority and acceptance of an application for federal deposit insurance defined herein. PMI shall bear all the costs and expenses incurred in the obtaining of each conditional certificate of authority and acceptance of an application. Pursuant to the terms herein, the parties specifically agree and understand that PMI shall receive not less than seven hundred thousand dollars (\$700,000.00) and not more than 1.4 million dollars (\$1,400,000.00) over the term of this agreement, subject

only to the conditions precedent and termination rights as set forth hereinbelow.

B. METHOD OF PAYMENT. FHC shall provide the site for each bank and request, in writing, that PMI obtain the conditional certificate of authority and acceptance of an application for each bank site. It is agreed that FHC will not request less than one conditional certificate of authority/accepted application per year.

Upon receipt of the written request from FHC for the conditional certificate/acceptance, PMI shall be paid its fee as set forth above, in the following manner:

- 1) Upon receipt of the written request from FHC identifying the bank site and requesting the conditional certificate/acceptance, PMI shall be paid fifty thousand dollars (\$50,000.00) of its total fee;
- 2) Upon the filing of the application for the conditional certificate of authority from the Division of Banking, State of Montana, PMI shall be paid fifty thousand dollars (\$50,000.00) of its total fee;
- 3) Upon the filing of the application for federal deposit insurance, PMI shall be paid fifty thousand dollars (\$50,000.00) of its fee;
- 4) Upon the Division of Banking, State of Montana, issuing the conditional certificate of authority for a state bank, PMI shall be paid twelve thousand five hundred dollars (\$12,500.00); and
- 5) Upon the Federal Deposit Insurance Corporation accepting an application for federal deposit insurance to said bank, PMI shall be paid twelve thousand five hundred dollars (\$12,500.00).

This method of payment shall be applicable to every conditional certificate of authority

and application for federal deposit insurance requested by FHC and obtained by PMI.

C. ARBITRATION AGREEMENT PROCEDURE. In the event of disagreement or dispute between FHC and PMI, arising out of, or connected with this agreement, which cannot be adjusted by and between the parties involved under the terms and conditions of this agreement, the parties hereto agree to submit such disagreement or dispute to arbitration in accordance with the rules, regulations and procedures of the Uniform Arbitration Act, and PMI and FHC hereby agree to be bound by the decision of the said arbitrators.

D. CONDITIONS PRECEDENT. Subject only to the following condition, FHC shall be bound by this agreement and all terms set forth herein. The parties agree that if FHC does not raise and have in its possession the six million dollars (\$6,000,000.00) it needs to fund and establish the banks contemplated herein by June 1, 2003, this agreement shall be terminated and shall have no further force or effect for either FHC or PMI. In the event more than the six million dollars (\$6,000,000.00) is raised, FHC shall be obligated to complete this agreement as set forth herein, irrespective of the actual establishment of any of the contemplated banks. If less than six million dollars (\$6,000,000.00) is raised by FHC for the establishment of the banks indicated herein, the parties shall have the unfettered right to renegotiate and enter into another agreement under similar or different terms and conditions.

E. TERMINATION. NOTWITHSTANDING the foregoing condition precedent, PMI has the unconditional and absolute right to terminate its services under this agreement at any time, without penalty, recourse by FHC, or liability to FHC, its directors, shareholders, or investors. Any fees earned, paid or advanced (if applicable) shall become the sole property of PMI upon termination by it of said agreement.

F. HOLD HARMLESS. The parties hereto mutually agree that if either party shall be in default of, or breach any of the terms or conditions of this agreement and such default or breach shall result in any loss or damage to the other party, then and in that event the defaulting party hereby agrees to pay to the other party any such loss or damage and further agrees to hold the other party harmless from any claim, demand, cause of action, or lawsuit which may result from any claim, demand, cause of action or lawsuit which may result from or be caused by such breach of this agreement. There is hereby granted to the non-defaulting party a contractual lien upon any sums due or owing to the other or which may be collected by the non-defaulting party and subsequently be due or owing to the other party to cover the items herein described. If said sum shall not be liquidated in amount, then and in that event the non-defaulting party is authorized to retain said sum until said claim, demand, or cause of action shall be remedied.

G. RECORDS/FILES. Upon termination of this agreement, PMI further agrees not to furnish any person, firm, company, or corporation engaged in the banking business, any information relating to FHC's clients, customers, properties, prices, terms of negotiations nor FHC's policies or relationships with clients and customers nor any other information concerning FHC and its business. PMI shall not, after termination of this agreement, remove from the files or from the office of FHC any books and publications, records, investor lists, or any other materials, files or data, or applications to either the Montana State Division of Banking or Federal Deposit Insurance Corporation, and it is expressly agreed that the aforementioned records and information are the property of FHC.

H. MISCELLANEOUS. This agreement is personal to the parties hereto and may

not be assigned, sold, or otherwise conveyed by either of them.

This agreement constitutes the entire agreement between PMI and FHC and there are no agreements or understandings concerning such agreement which are not fully set forth herein. However, any and all agreements by the parties hereto to amend, change, extend, revise or discharge this agreement, in whole or in part, shall be binding upon the parties to such agreement, even though such agreements may lack legal consideration, provided such agreements are in writing and executed by the party agreeing to be bound thereby.

This agreement shall be governed by the laws of the State of Montana.

The prevailing party in any legal proceeding brought for the enforcement, interpretation, or construction of this agreement shall be entitled to recover its attorneys' fees and costs incurred in the prosecution or defense of such proceedings.

WITNESS the signatures of the parties hereto effective this 1st day of April, 2002.

PMI FINANCIAL HOLDINGS CORP.

By _____
Its _____

ATTEST:

“FHC”

PRAIRIE MOUNTAIN INVESTMENTS, INC.

By _____
Its _____

ATTEST:

“PMI”

PMI FINANCIAL HOLDINGS CORP.
SUBSCRIPTION AGREEMENT

EXHIBIT C

EXTREME FINANCIAL RISK - READ CAREFULLY!

PMI Financial Holdings Corp.
202 2nd Ave So.
Suite 1
Great Falls, MT 59405

Ladies and Gentlemen:

The undersigned acknowledges that he or she has received and reviewed a copy of the Confidential Offering Memorandum dated October 15, 2002, (the "Memorandum"), relating to the offering (the "Offering") of 18,400 shares of Common Stock of PMI Financial Holdings Corp. (the "Company"), a Montana corporation.

1. **Subscription.** Subject to the terms and conditions hereof, the undersigned hereby subscribes for and agrees to purchase _____ shares of Common Stock (the "Stock") at \$1,250.00 per share (minimum of 20 shares). The undersigned hereby tenders to the Issuer a check of the undersigned, payable to the order of the Issuer in the amount of \$ _____. The funds for the purchase of the Stock will be held in escrow by the Issuer pending acceptance by the Issuer of subscriptions for a minimum of \$6,000,000.00 in common stock.

If this subscription is accepted, the undersigned shall become the owner of the Stock described above upon the receipt by the Issuer of the minimum sale of 4,800 shares of Stock. If this subscription is rejected or the Issuer does not sell a minimum of 4,800 shares of Stock, the funds paid to the Issuer by the undersigned will be returned to the undersigned as soon as reasonably possible, without interest or deduction, and this subscription shall be rendered void.

2. **Acceptance of Subscription.** The undersigned acknowledges and agrees that this subscription is made subject to the following express terms and conditions:

- [a] the Issuer shall have the right to reject this subscription;
- [b] the Issuer shall have no obligation to accept subscriptions for Stock in the order received;
- [c] affiliates of the Company may acquire any Stock for which the Issuer does not receive subscriptions in order to meet the minimum share sale requirement, and, if any Stock is so acquired by said affiliates, such Stock may be resold by the affiliates.

3. Acknowledgments, Representations, and Covenants of the Undersigned. The undersigned acknowledges that he or she is purchasing his or her stock without being furnished any offering literature or prospectus other than the Memorandum and the attachments and exhibits thereto, and that he or she has read and become familiar with the Memorandum, including the attachments and exhibits thereto. The undersigned represents and warrants that he or she has adequate means of providing for his current needs and possible personal contingencies and that he has no need for liquidity with respect to this investment.

The undersigned represents and warrants either (a) his/her personal net worth is in excess of \$1,000,000.00, or that his/her taxable income during each of the two (2) most recent years was in excess of \$200,000.00 (or \$300,000.00 of joint income with spouse in such years), and that he/she reasonably expects income equal to or greater than such amount in the current year, or (b) the undersigned is purchasing in a fiduciary capacity, that the person or entity for whom he/she is purchasing has a net worth as defined above, or is otherwise characterized as an accredited investor.

The undersigned further acknowledges, represents, warrants, and covenants as follows:

- (a) if the undersigned is an individual, he/she is at least twenty-one years of age and a bona fide resident and domiciliary (not a temporary or transient resident) of the State of Alaska, Montana, North Carolina, or Texas and has no present intention of becoming a resident of any other state or jurisdiction, and the undersigned represents that these statements are now true and have been true since before the first offer to him of an opportunity to invest in the Stock;
- (b) the undersigned acknowledges and confirms that he has fully considered the contents of the Memorandum, including the material set forth under "Who Should Invest" and the undersigned further acknowledges and confirms that he understands, among other things, that (i) the Company is newly formed and is not presently engaged in business, (ii) **the purchase of the Stock is a speculative investment that involves a high degree of risk of loss to the undersigned,** (iii) there will be no trading market for the Stock and **the Stock will at no time be freely transferable,** and, accordingly, it may not be possible for the undersigned to liquidate his investment in the Stock in case of emergency;
- (c) the undersigned is able (i) to bear the economic risk of his investment in the Stock, (ii) to hold his Stock for an indefinite period of time, and (iii) **to afford a complete loss of his investment;**
- (d) the undersigned has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in the Stock and of making an informed investment decision;

- (e) the undersigned is familiar with the nature of and risks attending investments in securities in general, and has determined that the purchase of the Stock is consistent with his investment objectives and income prospects;
- (f) the undersigned confirms that he has been given the opportunity to examine all documents and to ask questions of and receive answers from the representatives of the Company concerning the terms and conditions of the Offering or any other matter set forth in the Memorandum and to obtain any additional information, to the extent such persons possess such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information set forth in the Memorandum, and no representations have been made to the undersigned concerning the Stock or the Company's business or prospects, or other matters except as set forth in the Memorandum.
- (g) the undersigned understands that **the Stock has not been registered under the Securities Act of 1933**, as amended (the "Act"), and is being offered and sold under an exemption from registration thereunder;
- (h) the undersigned represents and warrants that the Stock hereby subscribed for is being acquired by the undersigned solely for his own account, for investment purpose only, and is not being purchased with a view to, or in connection with, any resale distribution, subdivision, or fractionalization thereof;
- (i) the undersigned further represents and warrants that he has no agreement or other arrangement, formal or informal, with any person to sell, transfer, or pledge any part of the Stock subscribed for hereby that would guarantee to the undersigned any profit or guarantee against any loss with respect to the Stock; the undersigned further represents and warrants that he has no plans to enter into any such agreement or arrangement; and consequently, understands that he must bear the economic risk of his investment for an indefinite period of time because his Stock cannot be resold or otherwise transferred unless it is subsequently registered under the Act (which the Company is not obligated and does not plan to do) or an exemption from such registration is available;
- (j) the Company will make notations in the Stock ledger records of the Company of the restrictions on the transferability of the Stock and may provide in such notations that the Stock has not been registered under the Act and that transfer thereof may be prohibited unless an opinion of counsel satisfactory to the company is furnished by the undersigned to the effect that an exemption from registration under the Act and applicable state securities laws is available or is not required;
- (k) the undersigned understands that no federal or state agency has passed on or made

any recommendation or endorsement of the Stock; and

- (l) the undersigned agrees that the Stock being purchased by him will not be resold or otherwise transferred unless such Stock is registered under the Act or an exemption from such registration is available.

The undersigned recognizes that the offer of Stock to him/her is based upon representations and warranties contained herein and in the Memorandum, and the undersigned agrees to indemnify the Company and its management and to hold such persons harmless for and against any liability, costs, or expenses (including reasonable attorneys' fees) arising by reason of or in connection with any misrepresentation or any breach of such warranties by the undersigned or arising as a result of the sale or distribution of any Stock by the undersigned in violation of the Act or other applicable law.

The undersigned agrees that the foregoing acknowledgments, representations, and covenants shall survive any investigation made by the party relying on the same or any acceptance or rejection of this subscription.

4. Transferability. The undersigned agrees not to transfer or assign this Agreement or any of his/her interest herein.

5. Further Assurances - Revocation. The undersigned agrees to execute all other documents and things necessary or advisable in connection with becoming an owner of the Stock offered herein. Further, the undersigned agrees that he may not cancel, terminate, or revoke this Agreement, which shall survive the death or disability of the undersigned and shall be binding upon the undersigned's heirs, executors, administrators, successors, and assigns.

6. Miscellaneous.

- (a) All notices or other communications given or made hereunder shall be in writing and shall be delivered by hand or mailed by registered or certified mail, return receipt requested, postage prepaid, to the undersigned or to the Company, at the addresses set forth herein.
- (b) The Agreement shall be governed by and construed in accordance with the laws of the State of Montana applicable to contracts made and wholly performed in said state.
- (c) This Agreement constitutes the entire Agreement among the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by the parties to be bound thereby.

7. Arbitration of Disputes. In the event that a dispute arises between the undersigned

subscriber and the Company or any of its legal representatives, attorneys, accountants, agents, or employees, with said dispute arising out of, in connection with or as a result of the subscription hereby made, the undersigned subscriber hereby expressly agrees that said dispute shall be resolved through arbitration rather than litigation. The undersigned hereby agrees to submit the dispute for resolution to the American Arbitration Association in Helena, Montana within five (5) days after receiving a written request to do so from any of the aforesaid parties. If the undersigned fails to submit the dispute to arbitration as requested, then the requesting party may commence an arbitration proceeding.

The undersigned further agrees that any hearing scheduled after an arbitration is initiated by either the undersigned party or any of the aforesaid parties shall take place in Great Falls, Cascade County, Montana and the Federal Arbitration Act shall govern the proceeding and all issues raised by this Agreement to arbitrate.

If any party to this Agreement shall institute any court proceeding in an effort to resist arbitration and be unsuccessful in resisting arbitration or shall unsuccessfully contest the jurisdiction of any arbitration forum located in Great Falls, Cascade County, Montana over any matter which is the subject of this Agreement, the prevailing party shall be entitled to recover from the losing party its attorneys' fees and any related out-of-pocket expenses incurred in connection with the defense of such legal proceeding or its effort to enforce its rights to arbitration as provided for herein.

With respect to the arbitration of any dispute, the undersigned hereby acknowledges and agrees that:

- (a) Arbitration is final and binding on the parties.
- (b) The parties are waiving their right to seek remedies in court, including their right to jury trial.
- (c) Pre-arbitration discovery is generally more limited and different from court proceedings.
- (d) The arbitrator's award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited.
- (e) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

No person shall bring a putative or certified class action suit, nor seek to endorse any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii)

the class is decertified; or (iii) the investor or person is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall constitute a waiver of any rights under this Agreement except to the extent stated herein.

IN WITNESS WHEREOF, the undersigned has hereby executed this Agreement on this the _____ day of _____, 200__.

Signature of Subscriber

THE FOREGOING SUBSCRIPTION IS HEREBY ACCEPTED, subject to the terms and conditions hereof, as of the _____ day of _____, 200__.

PMI FINANCIAL HOLDINGS CORP.
a Montana Corporation

Lewis F. Zanto, Treasurer

SUBSCRIPTION APPLICATION FOR PMI FINANCIAL HOLDINGS CORP.

1
INVESTMENT: No. of Shares _____ x \$1,250.00 per share = _____ Amount Enclosed

2
TYPE OF OWNERSHIP: _____ Individual _____ Trust _____ Corporation
 _____ Community Property _____ Pension Plan _____ Partnership*
 _____ Tenants-In-Common* _____ Profit Sharing Plan _____ Tax-Exempt Org.
 _____ Joint Tenants* _____ I.R.A. _____ Resident Alien

*All Signatures Required _____ Keogh Plan _____ Other (explain)

3
REGISTRATION: Mr./Mrs./Ms. (1) _____

(Please Print Names Mr./Mrs./Ms. (2) _____
in Which Stock is to Held)

 Address _____

 City State Zip Code

4
TAX PAYER I.D. NUMBERS: (1) _____
 Social Security Number or Federal Taxpayer I.D. Number

 (2) _____

5
TELEPHONE NUMBERS: 1) _____
 Home Telephone Number Fax

 (2) _____
 Business Telephone Number Fax

6
EXECUTION BY REGISTERED OWNERS: Date of Execution: _____

 Place of Execution: _____

 X _____
 Signature (Investor/Trustee/Custodian)

 X _____
 Signature (Investor/Trustee/Custodian)

The Subscription Application and Document is attached to and incorporated into for all purposes the Subscription Agreement which comprises a part of the Confidential Private Placement Memorandum dated October 15, 2002 offering common stock in PMI Financial Holding Corp. The Subscription Agreement contains specific provisions concerning arbitration of disputes concerning the Offering and the Stock, and Investor agrees to abide with and be bound by such arbitration provisions contained in the Subscription Agreement.

MAKE CHECKS PAYABLE TO PMI FINANCIAL HOLDINGS CORP.

SUBSCRIPTION APPLICATION ACCEPTED FOR PMI FINANCIAL HOLDINGS CORP.

By: _____
 Lewis F. Zanto, Treasurer

Date: _____

Request for Taxpayer Identification Number and Certification

Give form to the
requester. Do not
send to the IRS.

Print or type See Specific Instructions on page 2.	Name	
	Business name, if different from above	
	Check appropriate box: <input type="checkbox"/> Individual/ Sole proprietor <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other ▶ _____ <input type="checkbox"/> Exempt from backup withholding	
	Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
	City, state, and ZIP code	
List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 2. For other entities, it is your employer identification number (EIN). If you do not have a number, see How to get a TIN on page 2.

Social security number

OR

Employer identification number

Note: If the account is in more than one name, see the chart on page 2 for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 2.)

Sign Here	Signature of U.S. person ▶	Date ▶
-----------	----------------------------	--------

Purpose of Form

A person who is required to file an information return with the IRS must get your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to give your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

If you are a foreign person, use the appropriate Form W-8. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities.

Note: If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 30% of such payments after December 31, 2001 (29% after December 31, 2003). This is called "backup withholding." Payments that may be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester, or
2. You do not certify your TIN when required (see the Part II instructions on page 2 for details), or
3. The IRS tells the requester that you furnished an incorrect TIN, or
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions on page 2 and the separate instructions for the Requester of Form W-9.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.

**PMI FINANCIAL HOLDINGS CORP.
INVESTOR REPRESENTATION AGREEMENT**

EXTREME FINANCIAL RISK - READ CAREFULLY!

The undersigned hereby acknowledges, represents, warrants to, and agrees with PMI Financial Holdings Corp. (the "Company"), a Montana Corporation, as follows:

(a) No consent, approval, authorization, or order of any court or governmental agency or body is required for, and no statutory waiting period is required to expire before the execution and delivery by the undersigned of this Agreement or the consummation by the undersigned of the transactions contemplated hereunder other than those which have been obtained or will be obtained prior to or at the purchase of Common Stock in the Company (the "Securities").

(b) The purchase of the Securities by the undersigned hereunder and the performance of this Agreement will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any statute, or any indenture, mortgage, deed of trust, loan agreement, or other agreement or instrument to which the undersigned is a party, or by which the undersigned is bound, the certificate or articles of incorporation or bylaws of the undersigned if the undersigned is a corporation, the partnership agreement of the undersigned if the undersigned is a partnership, the trust instrument of the undersigned if the undersigned is a trust, the will and letters testamentary of the undersigned if the undersigned is an estate, or any order, rule, or regulation of any court or governmental agency or body having jurisdiction over the undersigned or the property of the undersigned.

(c) The undersigned is acquiring the Securities for the undersigned's own account as principal, for investment purposes only, and not with a view to or for resale, distribution, or fractionalization thereof, in whole or in part, and no other person has a direct or indirect beneficial interest in the Securities.

(d) The undersigned acknowledges that the offering and sale of the Securities is intended to be exempt from registration under the Securities Act of 1933, as amended (the "Act"), by virtue of Section 4(2) thereof and the provisions of Regulation D promulgated by the Securities and Exchange Commission thereunder, and under the securities or Blue Sky laws of the states in which the Securities will be offered. The undersigned represents and warrants to, and agrees with, the Company that **the undersigned has the financial ability to bear the economic risk of the undersigned's investment, has adequate means for providing for the undersigned's current financial needs and personal or other contingencies, and has no need for liquidity with respect to its investment in the Securities.**

(e) The undersigned has such knowledge and experience in financial and business matters such that the undersigned is capable of evaluating the merits and risks of the undersigned's investment in the Company.

(f) The undersigned meets any additional or different suitability standards set forth in the Confidential Offering Memorandum dated October 15, 2002, offering up to 18,400 shares of the Common Stock of the Company for \$1,250.00 per share (the "Memorandum") delivered by the Company to the investor in connection with the purchase of the Securities imposed by the state of the undersigned's residence.

(g) The undersigned:

(i) has been furnished with the Memorandum and any other documents that may have been made available upon request, and the undersigned has carefully read the Memorandum and understands and has evaluated the risks of a purchase of the Securities and the other considerations relating to a purchase of the Securities described in the Memorandum and has relied solely (except as indicated in subsection (ii) below) on the information contained in the Memorandum and has not relied on any financial forecasts or other pro forma financial information made available;

(ii) has been given the opportunity to ask questions of, and receive answers from the Company concerning the Company, the terms and conditions of the purchase and sale of the Securities to which this Agreement relates, and other matters pertaining to this investment, and has been given the opportunity to obtain such additional information necessary to verify the accuracy of the information contained in the Memorandum or otherwise provided in order for the undersigned to evaluate the merits and risks of a purchase of the Securities to the extent the Company possesses such information or can acquire it without unreasonable effort or expense, and has not been furnished any offering literature or prospectus except as mentioned herein or in the Memorandum;

(iii) has not been furnished with any oral or written promises, representations, or oral or written information in connection with the offering to which this Agreement relates that is not contained in the Memorandum or referenced in the Agreement; and

(iv) has determined that the Securities **are a suitable investment and that at this time the undersigned has no need for liquidity of this investment and could bear a complete loss thereof.**

(h) The undersigned represents, warrants, and agrees that it will not sell or otherwise transfer its Securities or any portion thereof without registration under the Act or an exemption therefrom, and fully understands and agrees that the undersigned must bear the economic risk of this purchase for an indefinite period of time because, among other reasons, the Securities have not been registered under the Act or under the securities or Blue Sky laws of any state and, therefore, cannot be resold, pledged, assigned, or otherwise disposed of unless applicable securities laws of such states or an exemption from such registration is available. The undersigned understands that the Company is under no obligation to register the Securities on behalf of the undersigned or to assist the undersigned in complying with any exemption from registration under the Act. The undersigned also understands that sales or transfers of the Securities are further restricted by the provisions of state securities or Blue Sky laws.

(i) **No representations or warranties have been made to the undersigned by the Company or any officer, employee, agent, affiliate, or subsidiary of the Company, other than the representations and warranties of the Company in this Agreement and the Memorandum.**

(j) Any information that the undersigned has heretofore furnished to the Company is true, correct, and complete as of the date of this Agreement and if there should be any change in such information at or prior to the closing hereunder, the undersigned will immediately furnish such revised or corrected information to the Company.

The undersigned comprehends, acknowledges, represents, agrees, and is aware of each of the following:

(a) The Company (1) was incorporated on February 28, 2002, (2) is a **developmental stage company** and, therefore, has no lengthy financial or operating history, (3) has incurred operating losses since being formed, and (4) **could continue experiencing operating losses for an indefinite period of time or may never realize a profit from its operations.**

(b) **No federal or state agency has passed upon the Securities or made any finding or determination as to the fairness of this investment.**

(c) **There are substantial risks of loss of investment incident to the purchase of the Securities.**

(d) The investment in the Company is an **illiquid investment**, and the undersigned must bear the economic risk of investment in the Securities **for an indefinite period** of time.

(e) There is no established market for the Securities and there can be no assurance that a public market for the Securities will develop.

(f) **This Agreement contains restrictions on transferability of the Securities.**

Under the Act, an accredited investor is defined as:

(1) a natural person, over the age of 21 and legally competent, whose net worth, individually or jointly with his or her spouse exceeds \$1,000,000.00 (inclusive of the value of home, home furnishings and automobiles); or

(2) a natural person, over the age of 21 and legally competent, whose individual annual adjusted gross income (as defined herein) exceeded \$200,000.00 or whose joint annual adjusted gross income (as defined herein) with his or her individual personal income will exceed \$300,000.00, in the last two (2) prior years and who reasonably expects that his or her individual personal income will exceed \$200,000.00, or his or her joint income with his or her spouse will exceed \$300,000.00, in the current year; "individual annual adjusted gross income" means an individual's "adjusted gross income" as reported for federal income tax purposes, less any income increased by the following amounts (but not including any amounts attributable to a spouse or the property owned by a spouse):

(i) the amount of any tax-exempt interest income received; (ii) the amount of losses claimed as a limited partnership in a limited partnership; (iii) any deduction claimed for depletion; (iv) any deduction allowed for amounts contributed to an IRA or Keogh retirement plan; (v) alimony paid; and (vi) for applicable taxable years, any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Section 1202 of the Internal Revenue Code of 1986 (the "Code"); and "joint annual adjusted gross income" means A) in the case of a husband and wife filing a joint federal income tax return, the "adjusted gross income" reported for federal income tax purposes on such return, increased by the amounts described in clauses (i) through (vi) above; and B) in the case of a husband and wife not filing a joint federal income tax return, the sum of the husband's and the wife's individual annual adjusted gross income as defined above; or

(3) an executive officer of the Company;

(4) an entity (i.e., a corporation, partnership, trust, or estate) each of the equity owners of which meets the requirements of categories (1), (2), or (3) above or categories (5) and (6) below;

(5) a trust, with total assets in excess of \$5,000,000.00 not formed for the specific purpose of acquiring Securities, whose purchase is directed by a natural person or entity that has such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of acquiring Securities; or

(6) (i) a bank as defined in Section 3(a) (2) of the Act, or a savings and loan association or other institution as defined in Section 3(a) (5) (A) of the Act, whether acting in its individual or fiduciary capacity; (ii) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (iii) an insurance company as defined in Section 2(13) of the Act; (iv) an investment company registered under the Investment Company Act of 1940; (v) a business development company as defined in Section (2) (a) (48) of the Investment Company Act of 1940; (vi) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; (vii) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000.00; (viii) an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended, and either A) the employee benefit plan has total assets in excess of \$5,000,000.00; B) the investment decision is made by a plan fiduciary, as defined in Section 3 (21) of such act, that is either a bank, savings and loan association, insurance company, or registered investment adviser, or C) if the plan is a self-directed plan, solely by persons that are "accredited investors" under Rule 501 of the Act; (ix) a private business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940; or (x) an organization described in Section 501 (c) (3) of the Code, with total assets in excess of \$5,000,000.00.

The undersigned hereby represents and warrants that he/she, or the entity for which he/she is executing this agreement, is an accredited investor.

DATED: _____

X _____

(Signature)

(Name of Firm)

(Printed Name & Title)

Address

Phone No.

City, State, Zip