

February 1, 2007

Dear Shareholder:

The management of CapStone Bank is very pleased to report our operating results for the first five-month period ending December 31, 2006. We ended the period with \$55.8 million in total assets, \$28.5 million in total loans and \$30.8 million in total deposits. All of these categories significantly exceeded our budgeted projections. Net income for the period was a negative \$636.8 thousand which was in line with our budget for the period. Our year-end balance sheet is included for your review.

There were no trades of Capstone Bank stock during the year. However, we do have a waiting list of individuals who desire to purchase stock. In the foreseeable future, trades of stock may be facilitated through our corporate office. If you desire to buy or sell stock please contact Susan Tannery, Corporate Secretary, at 919-256-6803. She will be responsible for matching potential buyers with any sellers.

You are cordially invited to attend our Annual Shareholders' Meeting to be held on April 18, 2007 at 5:00 p.m. at The State Club in Raleigh. In addition to the administrative items to be addressed during the meeting, you will also be provided with a more detailed report on our financial performance. Following the meeting, there will be a cocktail reception for our shareholders and customers. You will receive information regarding this event when you receive your proxy materials in mid-March.

We are gratified by the number of shareholders who have honored us by opening accounts and who have referred business to CapStone Bank. If you have not opened an account with us, we hope you will do so soon. We have attractive deposit and loan rates and can assure you that the quality of service you will experience from our associates will be exceptional.

We are excited about the outlook for 2007 and truly feel we are on our way to realizing our vision to be the recognized commercial bank of choice for small and medium sized businesses and professionals in the Raleigh area. Thank you for investing in CapStone Bank. Please contact us if you have any questions about your company or if we can be of service to you in any way.

Sincerely,



Michael S. Patterson  
Executive Chairman



Steven R. Ogburn  
President and CEO