

CHOICEONE FINANCIAL SERVICES INC
Form S-4
August 11, 2006

As filed with the Securities and Exchange Commission on August 11, 2006

Registration No. 333-_____

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM S-4

**REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

CHOICEONE FINANCIAL SERVICES, INC.

(Exact Name of Registrant as Specified in its Charter)

Michigan
(State or Other Jurisdiction
of Incorporation or Organization)

6022
(Primary Standard Industrial
Classification Code Number)

38-2659066
(IRS Employer
Identification Number)

**109 East Division
Sparta, Michigan 49345
(616) 887-7366**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Copies of communications to:

**Linda R. Pitsch
Senior Vice President
109 East Division
Sparta, Michigan 49345
(616) 887-7366**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

**Jeffrey A. Ott
Warner Norcross & Judd LLP
111 Lyon Street, N.W. Suite 900
Grand Rapids, Michigan 49503-2487
(616) 752-2000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

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Title Of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Share (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee
Common Stock	1,585,590 Shares	\$13.29	\$21,079,844	\$2,255.54

- (1) Estimated solely for the purpose of calculating the registration fee. The registration fee has been computed pursuant to Rule 457(f)(2) based on the aggregate book value of shares of Common Stock, without par value, of Valley Ridge Financial Corp. as of June 30, 2006 (\$21,079,844). The proposed maximum offering price per share is determined by dividing the proposed maximum aggregate offering price by the number of shares to be registered.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PROSPECTUS AND PROXY STATEMENT

Special Meeting of Shareholders of
VALLEY RIDGE FINANCIAL CORP.
In Connection with an Offering of up to
1,585,590 Shares
of
CHOICEONE FINANCIAL SERVICES, INC.
Common Stock Without Par Value

The Board of Directors of Valley Ridge Financial Corp. ("**Valley Ridge**") is furnishing this Prospectus and Proxy Statement and the accompanying form of proxy on or about _____ 2006, as a proxy statement to the shareholders of Valley Ridge to solicit proxies to vote at a special meeting of Valley Ridge's shareholders to be held on _____, 2006, and at any adjournments thereof. At the special meeting, the shareholders of Valley Ridge will be asked to consider and approve an Agreement and Plan of Merger (the "**Plan of Merger**") with ChoiceOne Financial Services, Inc. ("**ChoiceOne**") pursuant to which Valley Ridge would be merged with and into ChoiceOne (the "**Merger**"). The Plan of Merger has already been approved by ChoiceOne's board of directors and is not required to be submitted to its shareholders for approval.

This Prospectus and Proxy Statement, when delivered to shareholders of Valley Ridge, is a prospectus of ChoiceOne relating to an offering of ChoiceOne Common Stock, without par value. This offering is made only to the holders of Valley Ridge Common Stock. (See "**The Merger**")

If the Merger is consummated, each share of Valley Ridge Common Stock which is outstanding immediately prior to the effective time of the Merger will be converted into 8.5 shares of ChoiceOne Common Stock, subject to payment in cash for fractional shares. Pursuant to the Plan of Merger, Valley Ridge is also permitted and expects to declare a special cash dividend equal to, in the aggregate, \$10 million to the Valley Ridge shareholders prior to closing (the "**Special Dividend**").

The ChoiceOne Common Stock that will be issued to Valley Ridge's shareholders in connection with the Merger is traded in the over-the-counter bulletin board market. There is no well-established public trading market for ChoiceOne Common Stock and trading activity is infrequent.

Valley Ridge shareholders should see "Risk Factors" beginning on page ___ for a discussion of factors that they should consider with respect to the ChoiceOne Common Stock offered by this Prospectus and Proxy Statement. Consummation of the Merger is subject to approval of the Plan of Merger by the shareholders of Valley Ridge, regulatory approvals and certain other conditions. (See "**The Merger--Conditions to the Merger and Abandonment**")

In the opinion of Donnelly Penman & Partners, the consideration to be offered and received in the Merger is fair, from a financial point of view, to the shareholders of Valley Ridge. (See "**The Merger--Fairness Opinion of Donnelly Penman & Partners**")

Your vote is important. Approval of the proposed Merger requires the affirmative vote of a majority of the outstanding shares of Valley Ridge Common Stock. Whether or not you expect to attend the meeting in person, please sign and date the enclosed Proxy and mail it promptly in the enclosed envelope.

The shares of ChoiceOne Common Stock to be issued in the Merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus and Proxy Statement is dated _____, 2006

AVAILABLE INFORMATION

ChoiceOne is currently subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended. ChoiceOne has filed a Registration Statement with the Securities and Exchange Commission (the "**Commission**") relating to the ChoiceOne Common Stock offered in connection with the proposed Merger described in this Prospectus and Proxy Statement. This Prospectus and Proxy Statement does not contain all of the information set forth in the Registration Statement, certain portions of which are omitted in accordance with the rules and regulations of the Commission. Reference is hereby made to the Registration Statement and exhibits thereto for further information about ChoiceOne, Valley Ridge, and their respective securities. The Registration Statement is available at <http://www.sec.gov>. Valley Ridge shareholders can also obtain copies of all or part of the Registration Statement upon written or oral request directed to Thomas Lampen, Treasurer, ChoiceOne Financial Services, Inc., 109 East Division, Sparta, Michigan 49345, (616) 887-7366. **A shareholder making such a request must request the information at least five business days prior to the date they must make their investment decision to ensure timely delivery. Accordingly, the deadline for a Valley Ridge shareholder to make a request is _____, 2006.**

VALLEY RIDGE FINANCIAL CORP.

**450 W. Muskegon
Kent City, Michigan 49330**

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To the shareholders of Valley Ridge Financial Corp.:

A special meeting of shareholders of Valley Ridge Financial Corp. will be held at _____, on _____, 2006 at _____ .m., local time, for the following purposes:

1. To consider and vote upon a proposal to approve an Agreement and Plan of Merger between Valley Ridge Financial Corp. and ChoiceOne Financial Services, Inc.
2. To transact such other business as may properly come before the meeting.

The Board of Directors has established the close of business on _____, 2006, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and any adjournment thereof. Shareholders of Valley Ridge are entitled to assert dissenters' rights under the Michigan Business Corporation Act ("MBCA") with respect to the Merger as provided in and in compliance with the provisions of the MBCA.

By Order of the Board of Directors,

Michael E. McHugh, Secretary

_____, 2006

**YOUR VOTE IS IMPORTANT. EVEN IF YOU PLAN TO
ATTEND THE MEETING, PLEASE SIGN, DATE AND
RETURN THE ENCLOSED PROXY PROMPTLY.**

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What am I being asked to vote on?

A: You are being asked to vote to approve an Agreement and Plan of Merger entered into between ChoiceOne and Valley Ridge (attached as Appendix A to this Prospectus and Proxy Statement). If the Plan of Merger is approved, Valley Ridge will merge with and into ChoiceOne.

Q: If I own Valley Ridge Common Stock, what will I receive in the Merger?

A: Each share of Valley Ridge Common Stock you own will be converted into 8.5 shares of ChoiceOne Common Stock, subject to payment in cash for fractional shares. Valley Ridge may and expects to declare a special cash dividend equal to, in the aggregate, \$10,000,000 to the Valley Ridge shareholders prior to closing (the "**Special Dividend**"). This would equal approximately \$53.60 per share, based upon the 184,495 shares of Valley Ridge Common Stock outstanding as of the date of the Plan of Merger and assuming that all of the 2,045 outstanding stock options of Valley Ridge Common Stock are exercised prior to the record date of the Special Dividend.

Q: If I have been granted options to buy Valley Ridge Common Stock, what happens to the options in the Merger?

A: Each outstanding option to acquire Valley Ridge Common Stock that is unexercised will, at the effective time of the Merger, be terminated and converted to a right to receive a cash amount equal to the difference between \$153.00 and the applicable stock option exercise price.

Q: What are the tax consequences of the Merger to me?

A: Generally speaking, Valley Ridge shareholders will not recognize taxable income by reason of receiving shares of ChoiceOne Common Stock in the Merger (except to the extent of cash received in lieu of fractional shares). Shares of ChoiceOne Common Stock that Valley Ridge shareholders receive in the Merger will have the same basis and holding period as the respective shares of Valley Ridge Common Stock surrendered in the Merger. However, any cash received by Valley Ridge shareholders from the Special Dividend or in lieu of fractional shares of ChoiceOne Common Stock will be taxable. You should carefully review the section of this Prospectus and Proxy Statement entitled "The Merger--Federal Income Tax Consequences." In addition, you should consult your own tax advisors for a full understanding of the tax consequences of the Merger.

Q: Who can vote and what vote is required to approve the Plan of Merger?

A: Valley Ridge shareholders of record on _____, 2006, or the record date, are entitled to receive notice of and vote at the special meeting. The affirmative vote of the holders of a majority of the shares of Valley Ridge Common Stock outstanding as of the record date for the special meeting is required to approve the Plan of Merger.

Q: What should I do now?

A: After you have carefully read this Prospectus and Proxy Statement, simply indicate on your proxy card how you want to vote with respect to the Merger proposal. Complete, sign, date, and mail the proxy card in the enclosed postage-paid return envelope as soon as possible so that your shares will be represented and voted at the meeting. The Board of Directors of Valley Ridge unanimously recommends that Valley Ridge shareholders vote in favor of the Merger proposal.

Q: Why is my vote important?

A: If you do not return your proxy card at or prior to the special meeting, it will have the same effect as a vote against the Merger proposal.

Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. If you have not voted through your broker, there are two ways for you to revoke your proxy and change your vote. First, you may send a written notice to the President of Valley Ridge stating that you would like to revoke your proxy, which notice must be received prior to the meeting date. Second, you may vote in person at the special meeting. If you have instructed a broker to vote your shares, you must follow the directions you receive from your broker to change your vote. Your last vote will be the vote that is counted.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Without instructions from you, your broker cannot vote your shares on the Merger proposal. If your shares are held in street name, you should instruct your broker as to how to vote your shares, following the instructions contained in the voting instructions card that your broker provides to you. Without instructions, your shares will not be voted, which will have the same effect as if you voted against the Merger proposal.

Q: What risks should I consider before I vote on the Plan of Merger?

A: We encourage you to read carefully the detailed information about the Merger contained in this Prospectus and Proxy Statement, including the section entitled "Risk Factors" beginning on page ____.

Q: Do I have appraisal or dissenters' rights if I object to the Merger?

A: Yes. Under Michigan law, shareholders of Valley Ridge may dissent from the proposed Merger and be paid the "fair value" for their shares of Valley Ridge Common Stock if the Merger is approved. To be entitled to this payment, you must not vote for approval of the Merger proposal and deliver a written notice of dissent to Valley Ridge at or before the special meeting. You should read carefully the section of this Prospectus and Proxy Statement entitled "Rights of Dissenting Shareholders."

Q: Should I send in my stock certificates now?

A: No. After the Merger is completed, we will send Valley Ridge shareholders written instructions for exchanging their stock certificates for ChoiceOne stock certificates. ChoiceOne shareholders will keep their existing stock certificates.

Q: Whom should I contact with questions about the special meeting or the Merger?

A: Valley Ridge Financial Corp.
450 W. Muskegon
Kent City, Michigan 49330
Attn: President
(616) 678-5911

ChoiceOne Financial Services, Inc.
109 E. Division
Sparta, Michigan 49345
Attn: President
(616) 887-7366

PROSPECTUS AND PROXY STATEMENT

Special Meeting of Shareholders of

VALLEY RIDGE FINANCIAL CORP.

450 W. Muskegon

Kent City, Michigan 49330

(616) 678-5911

To vote to approve
an Agreement and Plan of Merger
involving an Offering of Common Stock, without par value, of

CHOICEONE FINANCIAL SERVICES, INC.

INTRODUCTION AND SUMMARY

Introduction

ChoiceOne Financial Services, Inc. ("**ChoiceOne**") and Valley Ridge Financial Corp. ("**Valley Ridge**") are furnishing this Prospectus and Proxy Statement and the accompanying form of proxy on or about _____, 2006, to record holders of Valley Ridge common stock, without par value ("**Valley Ridge Common Stock**"), on _____, 2006. The board of directors of Valley Ridge is soliciting proxies from its shareholders to vote at a special meeting of Valley Ridge shareholders, to be held on _____, 2006 at _____ at _____ .m., and at any adjournments thereof. In this Prospectus and Proxy Statement, ChoiceOne and Valley Ridge are each sometimes referred to as a "**Corporation**" and collectively as the "**Corporations**," and the combined surviving corporation is sometimes referred to as the "**Combined Organization**."

The purpose of the special meeting of Valley Ridge's shareholders is to consider and vote on approval of the Agreement and Plan of Merger (the "**Plan of Merger**") attached as **Appendix A** to this Prospectus and Proxy Statement. The Plan of Merger provides for the merger of Valley Ridge with and into ChoiceOne (the "**Merger**"). Under the Plan of Merger, each share of Valley Ridge Common Stock that is outstanding immediately prior to the effective time of the Merger will be converted into 8.5 shares of ChoiceOne common stock, without par value ("**ChoiceOne Common Stock**"), subject to payment in cash for fractional shares. In addition, the Plan of Merger permits Valley Ridge's board of directors to declare a one-time special dividend equal to, in the aggregate, \$10,000,000 (the "**Special Dividend**"). Based upon the 184,495 shares of Valley Ridge Common Stock outstanding as of the date of the Plan of Merger and assuming that all of the 2,045 outstanding stock options for Valley Ridge Common Stock are exercised prior to the record date for the Special Dividend, the Special Dividend would equal approximately \$53.60 per share. Each share of ChoiceOne Common Stock that is outstanding immediately prior to the effective time of the Merger will remain outstanding after the Merger. Donnelly Penman & Partners ("**Donnelly Penman**") has rendered a written opinion that the consideration to be offered and received in the Merger is fair from a financial point of view to the shareholders of Valley Ridge. See "**The Merger--Fairness Opinion of Donnelly Penman & Partners**." Approval of the Plan of Merger requires the affirmative vote of the holders of a majority of the outstanding shares of Valley Ridge Common Stock. (See "**The Merger**") It is not anticipated that any other matter will come before the special meeting. A majority of the issued and outstanding shares of Valley Ridge Common Stock represented in person or by proxy is required to constitute a quorum for the transaction of business at the special meeting of Valley Ridge's shareholders. As of June 23, 2006, directors and executive officers of Valley Ridge and their affiliates beneficially owned 29.40% of the outstanding shares of Valley Ridge Common Stock.

ChoiceOne's board of directors unanimously voted to approve the Plan of Merger at its April 25, 2006, meeting. Valley Ridge's board of directors unanimously voted to approve the Plan of Merger at its April 25, 2006, meeting. (See "**Voting and Management Information--Interests of Certain Persons.**")

**THE BOARD OF DIRECTORS OF VALLEY RIDGE UNANIMOUSLY
RECOMMENDS A VOTE FOR APPROVAL OF THE PLAN OF MERGER.**

The Companies

ChoiceOne Financial Services, Inc.
109 East Division
P.O. Box 186
Sparta, Michigan 49345-0186
(616) 887-7366

ChoiceOne is a Michigan corporation and bank holding company headquartered in Sparta, Michigan. ChoiceOne is the parent company of ChoiceOne Bank ("**ChoiceOne Bank**"). ChoiceOne Bank is the parent company of ChoiceOne Insurance Agencies, Inc. and ChoiceOne Mortgage Company of Michigan. ChoiceOne Bank also owns a 20% interest in West Shore Computer Services, Inc., a data processing company. ChoiceOne Bank operates 5 banking offices located in Sparta, Rockford, Comstock Park and Cedar Springs, Michigan. At March 31, 2006, ChoiceOne Bank had assets of \$247 million, deposits of \$191 million, and a net loan portfolio of \$181 million, and its assets represented 99% of ChoiceOne's consolidated assets. At March 31, 2006, ChoiceOne, on a consolidated basis, had shareholders' equity of \$22 million.

ChoiceOne and ChoiceOne Bank are engaged in the business of commercial banking and other related activities. ChoiceOne Bank is a full service bank offering customary commercial banking services, which include mortgage banking, commercial and retail loans, business and personal checking accounts, savings and individual retirement accounts, time deposit instruments, automated transaction machine services, money transfer services, and safe deposit facilities. ChoiceOne's principal markets for financial services presently are the Michigan communities in which ChoiceOne Bank's offices are located and the areas immediately surrounding those communities.

ChoiceOne has authorized capital stock consisting of 4,000,000 shares of ChoiceOne Common Stock, of which 1,656,625 shares were issued and outstanding on May 31, 2006, and 100,000 shares of preferred stock, none of which were issued or outstanding as of May 31, 2006. As of May 31, 2006, there were 606 record holders of shares of ChoiceOne Common Stock. ChoiceOne Bank's deposits are insured by the Federal Deposit Insurance Corporation ("**FDIC**"), subject to applicable limitations. ChoiceOne Bank is a member of the Federal Reserve System.

Upon consummation of the Merger, ChoiceOne would have approximately 3,242,215 shares issued and outstanding. This is based upon a conversion ratio for Valley Ridge Common Stock (8.5), as applied to the 186,540 shares of Valley Ridge Common Stock outstanding as of May 31, 2006, added to the 1,656,625 shares of ChoiceOne Common Stock outstanding as of May 31, 2006. The actual number of shares outstanding may vary in the event that either ChoiceOne or Valley Ridge issue stock pursuant to the exercise of stock options or if ChoiceOne issues common stock pursuant to its dividend reinvestment plan, or other director or employee benefit plans. ChoiceOne is a reporting company under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is required to file reports containing financial and certain other information with the Securities and Exchange Commission (the "**Commission**").

Valley Ridge Financial Corp.
450 W. Muskegon
Kent City, Michigan 49330
(616) 678-5911

Valley Ridge is a Michigan corporation and bank holding company headquartered in Kent City, Michigan. Valley Ridge is the parent company of Valley Ridge Bank ("**Valley Ridge Bank**"). Valley Ridge Bank is the parent

company of Valley Ridge Mortgage Company, Valley Ridge Financial Services, Inc. and Valley Ridge Realty, Inc. Valley Ridge Bank also owns a 20% interest in West Shore Computer Services, Inc., a data processing company. Valley Ridge Bank operates 9 banking offices located in Kent City, Fremont, Ravenna, Coopersville, Grant, Sparta, Muskegon, Newaygo and White Cloud, Michigan. At March 31, 2006, Valley Ridge had assets of \$213.2 million, deposits of \$169.1 million, a net loan portfolio of \$149.4 million, and shareholders' equity of \$21.1 million.

Valley Ridge and Valley Ridge Bank are engaged in the business of commercial banking and other related activities. Valley Ridge Bank is a full service bank offering customary commercial banking services, which include mortgage banking, commercial and retail loans, business and personal checking accounts, savings and individual retirement accounts, time deposit instruments, automated transaction machine services, money transfer services, and safe deposit facilities. Valley Ridge's principal markets for financial services presently are the Michigan communities in which Valley Ridge Bank's offices are located and the areas immediately surrounding those communities.

Valley Ridge has authorized capital stock consisting of 1,500,000 shares of Valley Ridge Common Stock, of which 184,803 shares were issued and outstanding on July 6, 2006. As of July 6, 2006, there were 283 record holders of shares of Valley Ridge Common Stock. Valley Ridge Bank's deposits are insured by the FDIC, subject to applicable limitations. Valley Ridge Bank is a member of the Federal Reserve System.

Summary of Certain Aspects of the Merger

Valley Ridge shareholders should consider the following summary in conjunction with the more detailed information appearing elsewhere in this Prospectus and Proxy Statement. See "**The Merger.**"

Background of the Merger. In late 2005, Richard L. Edgar, the President of Valley Ridge, contacted James A. Bosserd, the President of ChoiceOne, to explore the possibility of enhancing shareholder value for both organizations through an affiliation of ChoiceOne and Valley Ridge. Following preliminary discussions between Mr. Edgar and Mr. Bosserd, the board of directors of ChoiceOne submitted a proposal to Valley Ridge under which the two Corporations would merge. Valley Ridge's board of directors determined that ChoiceOne's proposal presented an excellent opportunity for enhancing shareholder value while preserving involvement in the Combined Organization of members of the communities served by Valley Ridge and ChoiceOne. After an exchange of information and preliminary negotiations, ChoiceOne and Valley Ridge entered into the Plan of Merger on April 25, 2006, following approval of the Plan of Merger by their respective boards of directors. ChoiceOne's board of directors and Valley Ridge's board of directors, and their respective representatives, negotiated the conversion ratio and other terms of the Plan of Merger on an arm's-length basis. The boards of directors of both ChoiceOne and Valley Ridge view the proposed Merger as a strategic merger of the two Corporations into the Combined Organization, not a purchase of Valley Ridge by ChoiceOne, and the transaction has been negotiated and structured accordingly.

Consideration to be Received in the Merger. If the Merger is consummated, Valley Ridge will be merged with and into ChoiceOne. The surviving corporation will be ChoiceOne. The surviving corporation will own Valley Ridge Bank and all of the other assets of Valley Ridge as well as ChoiceOne Bank and all of the assets of ChoiceOne.

Each share of Valley Ridge Common Stock outstanding at the time the Merger becomes effective will be converted into 8.5 shares of ChoiceOne Common Stock, subject to payment in cash for fractional shares. In the event that the number of shares of Valley Ridge Common Stock is greater than 184,495 for any reason other than as the result of the issuance of up to 2,045 shares of Valley Ridge Common Stock pursuant to the exercise of stock options that existed as of the date of the Plan of Merger, then the conversion ratio shall be adjusted accordingly. In addition, Valley Ridge is permitted under the Plan of Merger to declare a one-time special cash dividend to the Valley Ridge shareholders that equals, in the aggregate, \$10,000,000 (the "**Special Dividend**"). Based upon the 184,495 shares of Valley Ridge Common Stock outstanding on the date of the Plan of Merger and assuming that all of the 2,045 outstanding stock options for Valley Ridge Common Stock are exercised prior to the record date for the Special Dividend, this would equal approximately \$53.60 per share.

Pursuant to the Plan of Merger, both Valley Ridge and ChoiceOne may declare and pay cash dividends upon shares of their common stock quarterly at a rate, in a manner, on dates and with respect to record dates consistent with their respective past practices. However, Valley Ridge is required by the Plan of Merger to adjust the record date for its regularly scheduled dividend with respect to the period in which the Merger will become effective if necessary to assure that Valley Ridge shareholders receive one and only one dividend (besides the Special Dividend) payable in, or with a record date occurring in, the quarter in which the Merger becomes effective.

ChoiceOne will not issue fractional shares of ChoiceOne Common Stock in the Merger. A Valley Ridge shareholder who would otherwise be entitled to receive a fraction of a share of ChoiceOne Common Stock in the Merger will receive instead an amount of cash determined by multiplying that fraction by \$18.00.

ChoiceOne Common Stock. Holders of ChoiceOne Common Stock are entitled to dividends out of funds legally available for that purpose when, as, and if declared by the board of directors. Each holder of ChoiceOne Common Stock is entitled to one vote for each share held on each matter submitted for shareholder action. ChoiceOne Common Stock has no preemptive rights, cumulative voting rights, conversion rights or redemption provisions.

In the case of any liquidation, dissolution or winding up of the affairs of ChoiceOne, holders of ChoiceOne Common Stock will be entitled to receive, pro rata, any assets distributable to common shareholders in proportion to the number of shares held by them.

All outstanding shares of ChoiceOne Common Stock are, and shares to be issued pursuant to the Merger will be, when issued, fully paid and nonassessable.

ChoiceOne's Restated Articles of Incorporation and Bylaws, as well as the Michigan Business Corporation Act (the "MBCA"), contain provisions designed to protect shareholders' rights, which could have an effect of delaying, deferring or preventing a change in control of ChoiceOne, including without limitation the classification of ChoiceOne's board of directors into three classes, with each class serving a staggered, three-year term. (See "**The Merger--Provisions Affecting Control of ChoiceOne.**")

Fairness Opinion. The board of directors of Valley Ridge has engaged Donnelly Penman to render its opinion on the consideration to be received in the Merger. Donnelly Penman has rendered an opinion to the effect that the consideration to be offered and received in the Merger is fair from a financial point of view to the shareholders of Valley Ridge. The opinion of Donnelly Penman is attached as Appendix B to this Prospectus and Proxy Statement. For a more detailed description of this opinion, see "**The Merger--Fairness Opinion of Donnelly Penman & Partners.**"

Consummation of the Merger. Consummation of the Merger is subject to certain conditions, including among others that the shareholders of Valley Ridge approve the Plan of Merger, that necessary regulatory approvals be obtained, that no proceeding seeking to prevent the Merger be pending or threatened, that ChoiceOne and Valley Ridge obtain various ancillary certificates, opinions and agreements, and that holders of not more than 10% of the outstanding shares of Valley Ridge Common Stock shall have asserted dissenters' rights with respect to their shares under Section 762 of the MBCA. At any time prior to the effective time of the Merger, the boards of directors of ChoiceOne and Valley Ridge may by mutual consent abandon the Merger. In addition, for certain specified reasons the board of directors of either ChoiceOne or Valley Ridge may abandon the Merger. (See "**The Merger--Conditions to the Merger and Abandonment.**")

It is expected that the closing of the Merger will occur, and the Merger will become effective, on or before November 30, 2006.

Vote Required. Pursuant to the MBCA, the vote of the shareholders of ChoiceOne is not required to approve the Plan of Merger. Pursuant to the MBCA, the affirmative vote of the holders of a majority of the outstanding shares of Valley Ridge Common Stock is required to approve the Plan of Merger. The board of directors of Valley Ridge has fixed _____, 2006, as the record date (the "**Record Date**") for purposes of determining those shareholders who will be entitled to vote at the special meeting of Valley Ridge shareholders to be held on _____, 2006. Each share of Valley Ridge Common Stock will entitle the holder of record on the Record Date to one vote on each matter submitted for shareholder action at the shareholders' meeting. As of June 23, 2006, Valley Ridge's directors and

executive officers and their affiliates held 29.40% of the outstanding shares of Valley Ridge Common Stock. (See **"Voting and Management Information--Interests of Certain Persons."**) Therefore, if all directors and executive officers of Valley Ridge and their affiliates vote the shares beneficially owned by them in favor of approval of the Plan of Merger, the affirmative vote of only an additional 20.61% of the outstanding shares of Valley Ridge Common Stock would be required to approve the Plan of Merger.

As of the Record Date for the special meeting of Valley Ridge shareholders, there were _____ shares of Valley Ridge Common Stock outstanding held by ____ shareholders of record.

Regulatory Approvals. Completion of the Merger is subject to the approval of the Board of Governors of the Federal Reserve System (the "**Federal Reserve Board**"). The Merger cannot be completed for a period of 30 days after the date of the Federal Reserve Board's final approval unless the Department of Justice shortens this period to 15 days. During this period, the United States Department of Justice may review the competitive effects of the Merger to determine whether it will take action to block the Merger. The applications to obtain such approval have been filed with the Federal Reserve Board as of the date of this Prospectus and Proxy Statement. Although we do not know of any reason why we could not obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

Dissenters' Rights. Under the provisions of Section 762 of the MBCA, any Valley Ridge shareholder may dissent from the proposed Merger and be paid the "fair value" of his or her shares if the Plan of Merger is approved by the shareholders of Valley Ridge and the proposed Merger is completed by complying with the procedures set forth in Sections 761 through 774 of the MBCA. To be entitled to payment of the fair value of shares of Valley Ridge Common Stock, a shareholder of Valley Ridge must not vote for approval of the Plan of Merger at the special meeting of shareholders and must deliver written notice of dissent to Valley Ridge at or before the special meeting. A shareholder may not dissent as to less than all of the shares of Valley Ridge Common Stock beneficially owned by him or her. A dissenting shareholder must also submit a written demand for payment, accompanied by certain representations and his or her stock certificates, to Valley Ridge within 30 days (or such longer period up to 60 days as may be permitted by the applicable Corporation) after notice is given to the shareholder of approval of the Plan of Merger. See "**Rights of Dissenting Shareholders.**" If dissenters' rights are asserted with respect to more than 10% of the outstanding shares of Valley Ridge Common Stock, either Corporation may terminate the Plan of Merger and abandon the Merger. Shareholders of Valley Ridge who do not want to vote in favor of approval of the Plan of Merger, but who also do not wish to perfect dissenters' rights pursuant to the MBCA, would continue to have the ability to sell their shares in the open market until the Merger becomes effective if approved.

Shareholders of Valley Ridge who would like to assert dissenters' rights may send a written notice of dissent to Mr. Richard L. Edgar, Valley Ridge Financial Corp., 450 W. Muskegon, Kent City, Michigan 49330.

Federal Income Tax Consequences. As a condition precedent to consummation of the Merger, ChoiceOne and Valley Ridge must each receive an opinion from ChoiceOne's legal counsel regarding the federal income tax consequences of the Merger. Such opinion of ChoiceOne's counsel must be substantially to the effect, among other matters, that Valley Ridge shareholders will not recognize taxable income by reason of receiving shares of ChoiceOne Common Stock in the Merger (except to the extent of cash received in lieu of fractional shares), and that shares of ChoiceOne Common Stock that Valley Ridge shareholders receive in the Merger will have the same basis and holding period as the respective shares of Valley Ridge Common Stock surrendered in exchange therefor. Cash received by Valley Ridge shareholders from the Special Dividend and in lieu of fractional shares of ChoiceOne Common Stock will be taxable. (See "**The Merger--Federal Income Tax Consequences.**")

Accounting Treatment. ChoiceOne expects to account for the Merger under the purchase method of accounting. (See "**The Merger--Accounting Treatment.**")

Market Value of Shares

There is no well-established public trading market for either ChoiceOne Common Stock or Valley Ridge Common Stock and trading activity is infrequent. Transactions in ChoiceOne Common Stock and Valley Ridge Common Stock are occasionally effected by individuals on an informal basis. ChoiceOne Common Stock is traded in the over-the-counter bulletin board market. Some transactions are effected through the involvement of local brokerage firms. The prices at which such transactions are effected are only occasionally available to ChoiceOne and Valley Ridge.

The following table sets forth the price of ChoiceOne Common Stock in the last sale prior to April 26, 2006 (the date of the public announcement of the signing of the Plan of Merger), for which the price was reported to ChoiceOne management, the price of Valley Ridge Common Stock in the last sale prior to April 26, 2006, for which the price was reported to Valley Ridge management, and the estimated value of ChoiceOne Common Stock to be received for each share of Valley Ridge Common Stock on an equivalent per share basis:

ChoiceOne Common Stock Last Reported Sale Price Prior to 4/26/06	Valley Ridge Common Stock Last Reported Sale Price Prior to 4/26/06	Equivalent Per Share (not including Special Dividend)(1)
\$18.25	\$197.50	\$155.13

- (1) The Equivalent Per Share value of Valley Ridge Common Stock is the estimated market value of ChoiceOne Common Stock to be received in the Merger by Valley Ridge shareholders for each share of Valley Ridge Common Stock. This value is estimated assuming a market value of \$18.25 per share for ChoiceOne Common Stock and using a conversion ratio of 8.5 shares of ChoiceOne Common Stock for each share of Valley Ridge Common Stock. The equivalent per share price does not include the Special Dividend that Valley Ridge is authorized and expected to pay, which is expected to equal approximately \$53.60 per Valley Ridge share assuming all Valley Ridge stock options are exercised.

As of May 31, 2006, there were 1,656,625 shares of ChoiceOne Common Stock issued and outstanding held by 606 holders of record. As of May 31, 2006, there were 184,803 shares of Valley Ridge Common Stock issued and outstanding held by 283 holders of record.

Selected Unaudited Financial Data

The following unaudited table presents selected historical financial information and selected pro forma combined financial information for ChoiceOne and Valley Ridge. This information should be read in conjunction with the historical and pro forma financial statements and notes thereto included elsewhere in this Prospectus and Proxy Statement. The pro forma combined financial information gives effect to the Merger as if the Merger occurred on January 1 of the year presented. The pro forma combined financial information may not be indicative of the results that actually would have occurred if the Merger had been in effect on that date or that may be attained in the future. The pro forma combined financial information has been prepared on the assumption that the Merger will be accounted for under the purchase method of accounting. (See "**The Merger--Pro Forma Condensed Combined Financial Statements.**")

CHOICEONE FINANCIAL SERVICES, INC. AND VALLEY RIDGE FINANCIAL CORP.
SELECTED UNAUDITED CONSOLIDATED FINANCIAL DATA AND PER SHARE DATA

CHOICEONE FINANCIAL SERVICES, INC. (HISTORICAL)

	Three Months Ended March 31,		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(Unaudited) (Dollars in thousands, except per share data)						
Net interest income	\$ 1,982	\$ 1,978	\$ 8,045	\$ 7,672	\$ 7,775	\$ 8,106	\$ 7,603
Net income	535	515	2,166	1,854	2,101	1,643	1,458
Total assets (period end)	248,162	235,397	248,110	232,285	215,467	212,324	197,791
Other borrowings	32,758	43,566	42,288	41,869	46,937	38,667	42,027
Shareholders' equity	21,995	20,896	21,717	21,069	20,568	19,359	18,273
Net income per share (diluted)	0.32	0.31	1.31	1.13	1.29	1.01	0.90
Dividends declared per share	0.17	0.16	0.67	0.65	0.65	0.64	0.62

VALLEY RIDGE FINANCIAL CORP. (HISTORICAL)

	Three Months Ended March 31,		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(Unaudited) (Dollars in thousands, except per share data)						
Net interest income	\$ 2,056	\$ 1,849	\$ 7,691	\$ 7,130	\$ 6,972	\$ 7,707	\$ 7,298
Net income	481	403	2,151	2,019	2,083	2,055	1,726
Total assets (period end)	213,247	196,484	216,285	198,673	193,564	189,300	169,811
Other borrowings	20,024	20,723	26,879	23,209	18,820	27,083	26,353
Shareholders' equity	21,058	19,907	20,883	19,945	19,170	19,252	17,543
Net income per share (diluted)	2.60	2.18	11.64	10.88	10.86	10.80	9.10
Dividends declared per share	1.35	1.30	5.20	4.65	4.00	4.00	3.75

**PRO FORMA CHOICEONE FINANCIAL SERVICES, INC. AND VALLEY RIDGE FINANCIAL CORP.
COMBINED USING AN 8.5 EXCHANGE RATIO**

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(Unaudited) (Dollars in thousands, except per share data)	
Net interest income	\$ 4,227	\$ 15,821
Net income	1,025	3,910
Total assets (period end)	472,021	475,007
Other borrowings	52,701	69,086
Shareholders' equity	51,328	50,875
Net income per share (diluted)	0.32	1.21

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Dividends declared per share	0.16	0.64
Weighted average number of shares outstanding (diluted)	3,239,708	3,237,048

- (1) Net income per share is calculated by dividing net income for the period by the average number of common shares outstanding plus the dilutive effect of assumed exercises of stock options (see "**Introduction and Summary--Comparative Per Share Data**") for the period.
- (2) ChoiceOne and Valley Ridge have adjusted historical information to reflect stock splits and stock dividends.
- (3) The pro forma ChoiceOne and Valley Ridge combined data reflects the combined results of ChoiceOne and Valley Ridge after giving effect to the purchase method of accounting. For illustrative purposes, the combined results assume the Merger was consummated on January 1 of the year presented.

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The per share data was calculated assuming the issuance of 1,585,590 shares of ChoiceOne Common Stock in the Merger, which is based on a conversion ratio of 8.5 shares of ChoiceOne Common Stock for each outstanding share of Valley Ridge Common Stock. These numbers have been rounded for convenience of presentation.

The number of shares to be issued upon consummation of the Merger is dependent upon factors specified in the Plan of Merger to be determined in the future which cannot be determined before that date. The pro forma financial results included in this table are for illustrative purposes only.

- (4) ChoiceOne and Valley Ridge have maintained capital positions in excess of minimum capital requirements. Risk-based ratios as of March 31, 2006 were as follows:

Risk-based ratios	ChoiceOne	Valley Ridge	Pro Forma
Tier 1 Leverage Capital	9.07%	9.80%	9.41%
Tier 1 Risk-Based Capital	12.25%	13.41%	12.78%
Total Risk-Based Capital	13.33%	14.51%	13.87%

Comparative Per Share Data

The following unaudited table sets forth certain historical and pro forma combined per share information for ChoiceOne, and certain historical and equivalent pro forma combined per share information for Valley Ridge. The data is derived from financial statements of ChoiceOne and Valley Ridge included elsewhere in this Prospectus and Proxy Statement. The pro forma combined per share information for ChoiceOne and the equivalent pro forma combined per share information for Valley Ridge are stated as if the Merger had occurred on January 1 of the year presented, giving effect to the proposed transaction under the purchase method of accounting.

CHOICEONE FINANCIAL SERVICES, INC. (HISTORICAL)

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(Unaudited)	
Net income per share (diluted)	\$ 0.32	\$ 1.31
Dividends declared per share	\$ 0.17	\$ 0.67
Book value per share (period end)	\$ 13.29	\$ 13.16
Average shares outstanding	1,650,959	1,647,264
Shares outstanding (period end)	1,654,656	1,649,940

VALLEY RIDGE FINANCIAL CORP. (HISTORICAL)

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(Unaudited)	
Net income per share (diluted)	\$ 2.60	\$ 11.64
Dividends declared per share	\$ 1.35	\$ 5.20
Book value per share (period end)	\$ 114.14	\$ 113.19
Average shares outstanding	184,495	184,342
Shares outstanding (period end)	184,495	184,495

**PRO FORMA CHOICEONE FINANCIAL SERVICES, INC. AND VALLEY RIDGE
FINANCIAL CORP. COMBINED USING AN 8.5 EXCHANGE RATIO**

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(Unaudited)	(Unaudited)
Net income per share (diluted)	\$ 0.32	\$ 1.21
Dividends declared per share	\$ 0.16	\$ 0.64
Book value per share (period end)	\$ 15.93	\$ 15.81
Average shares outstanding (diluted)	3,239,708	3,237,048
Shares outstanding (period end)	3,222,854	3,218,148

**PRO FORMA VALLEY RIDGE FINANCIAL CORP. SHARE EQUIVALENT
USING AN 8.5 EXCHANGE RATIO**

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(Unaudited)	(Unaudited)
Net income per share (diluted)	\$ 0.31	\$ 1.37
Dividends declared per share	\$ 0.16	\$ 0.61
Book value per share (period end)	\$ 13.43	\$ 13.32

-
- (1) Net income per share is calculated by dividing net income for the period (see "**Introduction and Summary--Selected Unaudited Financial Data**") by the average number of common shares outstanding plus the dilutive effect of assumed exercises of stock options for the period. Book value per share is calculated by dividing total shareholders' equity at the end of the period (see "**Introduction and Summary--Selected Unaudited Financial Data**") by the number of shares outstanding at the end of the period.
- (2) Valley Ridge and ChoiceOne have adjusted historical information to reflect stock splits and stock dividends.
- (3) The Valley Ridge equivalent pro forma combined per share information is calculated by multiplying the pro forma income per share, pro forma book value per share, and the pro forma dividends per share of ChoiceOne by a conversion ratio so that the per share amounts are equated to the respective values for one share of Valley Ridge. This information is based upon a conversion ratio of 8.5.

RISK FACTORS

In addition to the other information included in this Prospectus and Proxy Statement, you should carefully consider the matters described below in determining whether to approve the Plan of Merger.

Risks Associated with the Merger and ChoiceOne Common Stock

Absence of a public trading market.

ChoiceOne Common Stock is traded in the over-the-counter bulletin board market in occasional transactions. As of the date of this Prospectus and Proxy Statement, there is no well established public trading market for ChoiceOne Common Stock. Even if the Plan of Merger is approved and the Merger is completed, ChoiceOne does not expect an active trading market for ChoiceOne Common Stock to develop.

Because the market price of ChoiceOne Common Stock will fluctuate, you cannot be sure of the market value of the ChoiceOne Common Stock that you will receive in the Merger.

Upon completion of the Merger, each issued and outstanding share of Valley Ridge Common Stock will be converted into the right to receive 8.5 shares of ChoiceOne Common Stock. There will be no adjustment made to the merger consideration you are entitled to receive as a result of fluctuations in the market price of Valley Ridge Common Stock or ChoiceOne Common Stock. As a result, it is likely that the value of the ChoiceOne Common Stock you receive in the Merger will be different than the value of such shares on the date that you vote to approve the Plan of Merger.

Stock price changes may result from a variety of factors, including general market and economic conditions, changes in ChoiceOne's business, operations and prospects, and regulatory considerations. Many of these factors are beyond ChoiceOne's control. Accordingly, at the time of the special meeting, you will not necessarily know or be able to calculate the exact value of the shares of ChoiceOne Common Stock you will receive upon completion of the Merger.

Combining the two Corporations may be more difficult, costly, or time-consuming than we expect.

ChoiceOne and Valley Ridge have operated, and, until completion of the Merger, will continue to operate, independently. It is possible that the integration process for the Merger could result in the loss of key employees or disruption of each Corporation's ongoing business or inconsistencies in standards, procedures and policies that would adversely affect ChoiceOne's ability to maintain relationships with clients and employees or to achieve the anticipated benefits of the Merger. If we have difficulties with the integration process, ChoiceOne might not achieve the economic benefits expected to result from the Merger. As with any merger of banking institutions, the Merger may also result in business disruptions that cause ChoiceOne to lose customers or cause customers to remove their deposits or loans from ChoiceOne Bank and move their business to competing financial institutions.

Regulatory approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.

The Merger must be approved by the Federal Reserve Board, which will consider, among other factors, the competitive impact of the Merger, ChoiceOne's financial and managerial resources and the convenience and needs of the communities to be served. As part of that consideration, we expect that the Federal Reserve Board will review

capital position, safety and soundness, legal and regulatory compliance matters and Community Reinvestment Act matters. There can be no assurance as to whether these and other regulatory approvals will be received, the timing of those approvals, or whether any conditions will be imposed.

The Plan of Merger limits each Corporation's ability to pursue alternatives to the Merger.

The Plan of Merger contains provisions that limit each Corporation's ability to discuss competing third-party proposals to acquire all or a significant part of its stock. In addition, each Corporation has agreed to pay the other Corporation a fee of \$1,541,625 in the event that the Plan of Merger is not consummated and the paying Corporation enters into certain business transactions with third parties. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of either of the Corporations from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the Merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire the Corporation than it might otherwise have proposed to pay.

ChoiceOne's ability to pay dividends is limited and ChoiceOne may be unable to pay future dividends.

ChoiceOne's ability to pay dividends is limited by regulatory restrictions and the need to maintain sufficient consolidated capital. The ability of ChoiceOne Bank to pay dividends to ChoiceOne is limited by its obligations to maintain sufficient capital and by other general restrictions on its dividends that are applicable to banks. If ChoiceOne or ChoiceOne Bank does not satisfy these regulatory requirements, ChoiceOne will be unable to continue to pay dividends on its common stock.

ChoiceOne may issue additional shares of its common stock in the future, which would dilute your ownership if you did not, or were not permitted to, invest in the additional issuances.

ChoiceOne's restated articles of incorporation authorize its board of directors, without shareholder approval, to, among other things, issue additional common stock or issue preferred stock. The issuance of any additional shares of common stock could be substantially dilutive to ChoiceOne's Common Stock. Moreover, to the extent that ChoiceOne issues stock appreciation rights, options or warrants to purchase ChoiceOne Common Stock in the future and those stock appreciation rights, options or warrants are exercised, ChoiceOne's shareholders may experience further dilution. Holders of shares of ChoiceOne Common Stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, ChoiceOne's shareholders may not be permitted to invest in future issuances of ChoiceOne Common Stock.

ChoiceOne may issue debt and equity securities, which are senior to ChoiceOne Common Stock as to distributions and in liquidation, which could negatively affect the value of ChoiceOne's Common Stock.

In the future, ChoiceOne may attempt to increase its capital resources by entering into debt or debt-like financing that is unsecured or secured by all or up to all of ChoiceOne's assets, or issuing debt or equity securities, which could include issuances of secured or unsecured commercial paper, medium-term notes, senior notes, subordinated notes, preferred stock or common stock. In the event of ChoiceOne's liquidation, its lenders and holders of its debt securities would receive a distribution of ChoiceOne's available assets before distributions to the holders of ChoiceOne Common Stock. Because ChoiceOne's decision to incur debt and issue securities in future offerings will depend on market conditions and other factors beyond ChoiceOne's control, ChoiceOne cannot predict or estimate the amount, timing or nature of its future offerings and debt financings. Further, market conditions could require ChoiceOne to accept less favorable terms for the issuance of its securities in the future. Thus, you will bear the risk of ChoiceOne's future offerings reducing the value of your shares of ChoiceOne Common Stock and diluting your interest in ChoiceOne.

Risks Related to ChoiceOne's Business

ChoiceOne's business is subject to the success of the local economies where it operates.

ChoiceOne's success significantly depends upon the growth in the economy, population, income levels, deposits and housing starts in the West Michigan market. If this market does not grow or if prevailing economic conditions locally or nationally are unfavorable, ChoiceOne's business may not succeed. Adverse economic conditions in West Michigan, including the loss of certain significant employers, could reduce ChoiceOne's growth rate, affect the ability of its customers to repay their loans to ChoiceOne and generally affect ChoiceOne's financial

condition and results of operations. ChoiceOne is less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Moreover, ChoiceOne cannot give any assurance that it will benefit from any market growth or favorable economic conditions in West Michigan if they do occur.

Any adverse market or economic conditions in Michigan may disproportionately increase the risk that ChoiceOne's borrowers are unable to make their loan payments. In addition, the market value of the real estate securing loans as collateral could be adversely affected by unfavorable changes in market and economic conditions. As of December 31, 2005, approximately 68% of ChoiceOne's loans held for investment were secured by real estate. Of the commercial real estate loans in ChoiceOne's portfolio, approximately 60% represents properties owned and occupied by businesses to which ChoiceOne has extended loans. Any sustained period of increased payment delinquencies, foreclosures or losses caused by adverse market or economic conditions in the State of Michigan could adversely affect the value of ChoiceOne's assets, revenues, results of operations and financial condition.

Commercial banks and other financial institutions are affected by economic and political conditions, both domestic and international, and by governmental monetary policies. Conditions such as inflation, recession, unemployment, high interest rates, short money supply, scarce natural resources, international disorders, terrorism and other factors beyond ChoiceOne's control may adversely affect profitability.

ChoiceOne may face risks with respect to future expansion and acquisitions or mergers.

ChoiceOne may seek to acquire other financial institutions or parts of those institutions and may engage in de novo branch expansion in the future. ChoiceOne may also consider and enter into new lines of business or offer new products or services. Acquisitions and mergers involve a number of risks, including:

the time and costs associated with identifying and evaluating potential acquisitions and merger partners;

the estimates and judgments used to evaluate credit, operations, management and market risks with respect to the target institution may not be accurate;

the time and costs of evaluating new markets, hiring experienced local management and opening new offices, and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;

the diversion of ChoiceOne's management's attention to the negotiation of a transaction, and the integration of the operations and personnel of the combining businesses;

entry into new markets where ChoiceOne lacks experience;

the introduction of new products and services into ChoiceOne's business;

the incurrence and possible impairment of goodwill associated with an acquisition and possible adverse short-term effects on ChoiceOne's results of operations; and

the risk of loss of key employees and customers.

ChoiceOne may incur substantial costs to expand, and can give no assurance that such expansion will result in the levels of profits it seeks. There can be no assurance that integration efforts for any future mergers or acquisitions will be successful. Also, ChoiceOne may issue equity securities, including common stock and securities convertible into shares of ChoiceOne Common Stock in connection with future acquisitions, which could cause ownership and economic dilution to its current shareholders. There is no assurance that, following any future mergers or acquisitions, ChoiceOne's integration efforts will be successful or that, after giving effect to any merger or acquisition, ChoiceOne will achieve profits comparable to or better than ChoiceOne's historical experience.

ChoiceOne's recent operating results may not be indicative of its future operating results.

ChoiceOne may not be able to sustain its historical rate of growth or may not even be able to grow its business at all. In the future, ChoiceOne may not have the benefit of a favorable interest rate environment, a strong residential mortgage market, or the ability to find suitable candidates for acquisition. Various factors, such as economic conditions, regulatory and legislative considerations and competition, may also impede or prohibit ChoiceOne's ability to expand its market presence. If ChoiceOne experiences a significant decrease in its historical rate of growth, ChoiceOne's results of operations and financial condition may be adversely affected due to a high percentage of its operating costs being fixed expenses.

ChoiceOne's continued pace of growth may require it to raise additional capital in the future, but that capital may not be available when it is needed.

ChoiceOne is required by federal and state regulatory authorities to maintain adequate levels of capital to support its operations. ChoiceOne may at some point need to raise additional capital to support its continued growth. ChoiceOne's ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside ChoiceOne's control, and on its financial performance. Accordingly, if needed, ChoiceOne cannot assure you of its ability to raise additional capital on terms acceptable to ChoiceOne. If ChoiceOne cannot raise additional capital when needed, its ability to further expand its operations through internal growth and acquisitions could be materially impaired.

Changes in interest rates may negatively affect ChoiceOne's earnings and the value of its assets.

Changes in interest rates may affect ChoiceOne's level of interest income, the primary component of its gross revenue, as well as the level of its interest expense, ChoiceOne's largest recurring expenditure. Market rates have been at historically low levels. Since June 30, 2004, however, the Federal Reserve Board has increased its target federal funds rate 17 times, from 1.00% to 5.25%. While the federal funds rate and other short-term market interest rates, which ChoiceOne uses to guide its deposit pricing, have increased, intermediate and long-term market interest rates, which ChoiceOne uses to guide its loan pricing, have not increased proportionately. This has led to a "flattening" of the market yield curve, which has even "inverted" recently as short-term rates have exceeded long-term rates over an intermediate maturity horizon. The flat yield curve may hurt ChoiceOne's interest rate spread and net interest margin because the interest rates ChoiceOne pays on its deposits may reprice upwards faster than the interest rates that ChoiceOne earns on its loans and investments. If short-term interest rates continue to rise so that the yield curve remains relatively flat or inverts further, ChoiceOne would expect that its net interest spread and net interest margin may continue to compress, which would hurt its net interest income.

Residential mortgage originations generated \$264,000, or 2%, of ChoiceOne's gross revenue for the year ended December 31, 2005. ChoiceOne expects the number of residential real estate loans that it originates to be inversely related to interest rates. Accordingly, a period of rising interest rates would negatively affect ChoiceOne's residential mortgage origination business.

Changes in the level of interest rates also may negatively affect ChoiceOne's ability to originate real estate loans, the value of ChoiceOne's assets and its ability to realize gains from the sale of its assets, all of which ultimately affect ChoiceOne's earnings. A decline in the market value of ChoiceOne's assets may limit its ability to raise additional capital. As a result, ChoiceOne could be required to sell some of its loans and investments under adverse market conditions or upon terms that are not favorable to ChoiceOne, in order to maintain its liquidity. If those sales are made at prices lower than the amortized costs of the investments, ChoiceOne will incur losses.

ChoiceOne's loan portfolio includes a substantial amount of commercial and industrial loans, which include risks that may be greater than the risks related to residential loans.

ChoiceOne's commercial and industrial loan portfolio was \$48 million at December 31, 2005, comprising 26% of total loans. Commercial and industrial loans generally carry larger loan balances and involve a greater degree of financial and credit risks than home equity loans or residential mortgage loans. Any significant failure to pay on time by ChoiceOne's customers would hurt ChoiceOne's earnings. The increased financial and credit risk associated with these types of loans is a result of several factors, including the concentration of principal in a limited

number of loans and borrowers, the size of loan balances, the effects of general economic conditions on income-producing properties and the increased difficulty of evaluating and monitoring these types of loans. In addition, when underwriting a commercial or industrial loan, ChoiceOne may take a security interest in commercial real estate and, in some instances upon a default by the borrower, ChoiceOne may foreclose on and take title to the property, which may lead to potential financial risk for ChoiceOne under applicable environmental laws. If hazardous substances were discovered on any of these properties, ChoiceOne may be liable to governmental entities or third parties for the costs of remediation of the hazard, as well as for personal injury and property damage. Many environmental laws can impose liability regardless of whether ChoiceOne knew of, or was responsible for, the contamination. Furthermore, the repayment of loans secured by commercial real estate is typ