

First Federal of Northern Michigan Bancorp, Inc.  
Form S-4/A  
June 20, 2014

**As filed with the Securities and Exchange Commission on June 20 , 2014**

**Registration No. 333-195189**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**PRE-EFFECTIVE AMENDMENT NO. 2 TO  
FORM S-4**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

**FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.**

(Exact name of registrant as specified in its charter)

Maryland 6712 32-0135202  
(State or other jurisdiction of (Primary Standard Industrial (I.R.S. Employer  
incorporation or organization) Classification Code Number) Identification Number)

**100 South Second Avenue  
Alpena, Michigan 49707**

**(989) 356-9041**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of

Registrant's Principal Executive Offices)

**Michael W. Mahler**

**President and Chief Executive Officer**

**100 South Second Avenue  
Alpena, Michigan 49707**

**(989) 356-9041**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of

Agent for Service)

Copies to:

Steven Lanter, Esq.

Luse Gorman Pomerenk & Schick, P.C.  
5335 Wisconsin Avenue, N.W., Suite 780  
Washington, D.C. 20015  
Phone: (202) 274-2004

**Martin Werner, Esq.**

**Shumaker, Loop & Kendrick, LLP**  
**1000 Jackson Street |**  
**Toledo, Ohio 43604**  
**Phone: (419) 241-9000**

**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 to be 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.

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 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 Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

#### CALCULATION OF REGISTRATION FEE

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered</b>	<b>Proposed maximum offering price per share</b>	<b>Proposed maximum aggregate offering price</b>	<b>Amount of registration fee(3)</b>
Common Stock, \$0.01 par value per share	842,965 shares (1)(2)		\$6,919,681 (2)	\$892

(1) Represents the maximum number of shares of First Federal of Northern Michigan Bancorp, Inc. common stock that may be issued in connection with the proposed merger to which this Registration Statement relates.

(2) Pursuant to Rule 457(f)(2), the registration fee was computed on the basis of the tangible book value of the shares of Alpena Banking Corporation common stock to be exchanged or cancelled in the merger, based upon \$6,919,681, the stockholders’ equity of Alpena Banking Corporation as of March 31, 2014.

(3) Computed in accordance with Section 6(b) of the Securities Act of 1933 by multiplying 0.00012880 by the proposed maximum aggregate offering price.

Information contained herein is subject to completion or amendment. A registration statement relating to the shares of First Federal of Northern Michigan Bancorp, Inc. common stock to be issued in the merger has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**[FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC. LOGO]**

Dear First Federal of Northern Michigan Bancorp, Inc. Stockholder:

On January 23, 2014, First Federal of Northern Michigan Bancorp, Inc. (“First Federal Bancorp”) entered into a merger agreement to merge with Alpena Banking Corporation in an all stock transaction. If the merger agreement is approved and the merger is subsequently completed, Alpena Banking Corporation will merge into First Federal Bancorp and each outstanding share of Alpena Banking Corporation common stock will be converted into the right to receive 1.549 shares of First Federal Bancorp common stock, subject to adjustment as described in the merger agreement and this document. Based on the 544,200 shares of Alpena Banking Corporation common stock that will be outstanding at the effective time of the merger, First Federal Bancorp will issue 842,965 shares of common stock to Alpena Banking Corporation stockholders in the merger. The value of the merger consideration paid to stockholders of Alpena Banking Corporation will fluctuate with the market price of First Federal Bancorp’s common stock and will not be adjusted to reflect stock price changes prior to the closing. Based on the closing price of First Federal Bancorp’s common stock on the Nasdaq Capital Market on June \_\_, 2014 (\$\_\_\_\_), the 1.549 exchange ratio represented approximately \$\_\_\_\_ in value for each share of Alpena Banking Corporation’s common stock. You should obtain current stock price quotations for First Federal Bancorp’s common stock. First Federal Bancorp’s common stock trades on the Nasdaq Capital Market under the symbol “FFNM.” Alpena Banking Corporation’s common stock is privately held by 228 stockholders of record.

As a result of the merger, Alpena Banking Corporation stockholders will become stockholders of First Federal Bancorp.

**Your board of directors has unanimously determined that the merger and the merger agreement are fair and in the best interests of First Federal Bancorp and its stockholders and unanimously recommends that you vote “FOR” adoption of the merger agreement.** The merger cannot be completed unless a majority of the outstanding shares of common stock of First Federal Bancorp entitled to vote at the special meeting vote to adopt the merger agreement. Whether or not you plan to attend the special meeting of stockholders, please take the time to vote by completing the enclosed proxy card and mailing it in the enclosed envelope. **If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote “FOR” adoption of the merger agreement. If you fail to vote, or you do not instruct your broker how to vote any shares held for you in “street name,” it will have the same effect as voting “AGAINST” the merger agreement.**

In addition, First Federal Bancorp stockholders will consider and vote on a proposal to adjourn the special meeting in the event that there are not enough votes present and voting in favor of the approval of the merger proposal.

The accompanying document is also being delivered to Alpena Banking Corporation stockholders as First Federal Bancorp's prospectus for its offering of First Federal Bancorp common stock in connection with the merger, and as a proxy statement for the solicitation of proxies from Alpena Banking Corporation stockholders to vote for the adoption of the merger agreement and approval of the merger.

This joint proxy statement/prospectus provides you with detailed information about the proposed merger. It also contains information about First Federal Bancorp and Alpena Banking Corporation and related matters. You are encouraged to read this document carefully. **In particular, you should read the "Risk Factors" section beginning on page 7 for a discussion of the risks you should consider in evaluating the proposed merger and how it will affect you.**

**Voting procedures are described in this joint proxy statement/prospectus. Your vote is important, so I urge you to cast it promptly. First Federal Bancorp's management enthusiastically supports the merger with Alpena Banking Corporation, and joins with our board of directors in recommending that you vote "FOR" adoption of the merger agreement. We also recommend that you vote "FOR" the proposal to adjourn the special meeting in the event that there are not enough votes to approve the merger agreement.**

Sincerely,

Michael W. Mahler  
President and Chief Executive Officer

[ALPENA BANKING CORPORATION LOGO]

Dear Alpena Banking Corporation Stockholder:

On January 23, 2014, Alpena Banking Corporation entered into a merger agreement to merge with First Federal of Northern Michigan Bancorp, Inc. (“First Federal Bancorp”). If the merger agreement is approved and the merger is subsequently completed, Alpena Banking Corporation will merge into First Federal Bancorp, and each outstanding share of Alpena Banking Corporation common stock will be converted into the right to receive 1.549 shares of First Federal Bancorp common stock, subject to adjustment as described in the merger agreement and this document. Based on the 544,200 shares of Alpena Banking Corporation common stock that will be outstanding at the effective time of the merger, First Federal Bancorp will issue 842,965 shares of common stock to Alpena Banking Corporation stockholders in the merger. The value of the merger consideration paid to stockholders of Alpena Banking Corporation will fluctuate with the market price of First Federal Bancorp’s common stock and will not be adjusted to reflect stock price changes prior to the closing. Based on the closing price of First Federal Bancorp’s common stock on the Nasdaq Capital Market on June \_\_, 2014 (\$\_\_\_), the 1.549 exchange ratio represented approximately \$\_\_\_ in value for each share of Alpena Banking Corporation’s common stock. You should obtain current stock price quotations for First Federal Bancorp’s common stock. First Federal Bancorp’s common stock trades on the Nasdaq Capital Market under the symbol “FFNM.” Alpena Banking Corporation’s common stock is privately held by 228 stockholders of record.

As a result of the merger, Alpena Banking Corporation stockholders will become stockholders of First Federal Bancorp.

**Your board of directors has unanimously determined that the merger and the merger agreement are fair and in the best interests of Alpena Banking Corporation and its stockholders and unanimously recommends that you vote “FOR” adoption of the merger agreement.** The merger cannot be completed unless a majority of the issued and outstanding shares of common stock of Alpena Banking Corporation entitled to be cast vote to adopt the merger agreement. Whether or not you plan to attend the special meeting of stockholders, please take the time to vote by completing the enclosed proxy card and mailing it in the enclosed envelope. **If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote “FOR” adoption of the merger agreement. If you fail to vote, or you do not instruct your broker how to vote any shares held for you in “street name,” it will have the same effect as voting “AGAINST” the merger agreement.**

The accompanying document is being delivered to Alpena Banking Corporation stockholders as First Federal Bancorp’s prospectus for its offering of First Federal Bancorp common stock in connection with the merger, and as a proxy statement for the solicitation of proxies from Alpena Banking Corporation stockholders to vote for the adoption of the merger agreement and approval of the merger. First Federal Bancorp’s stockholders will also need to vote on and approve the proposed merger.



Under the Michigan Business Corporation Act, Alpena Banking Corporation stockholders do not have dissenters' rights of appraisal. See "Questions and Answers about the Merger and the Special Meetings" on page i and "No Dissenters' Rights for Alpena Banking Corporation Stockholders" on page 33.

This joint proxy statement/prospectus provides you with detailed information about the proposed merger. It also contains information about First Federal Bancorp and Alpena Banking Corporation and related matters. You are encouraged to read this document carefully. **In particular, you should read the "Risk Factors" section beginning on page 7 for a discussion of the risks you should consider in evaluating the proposed merger and how it will affect you.**

**Voting procedures are described in this joint proxy statement/prospectus. Your vote is important, so I urge you to cast it promptly. Alpena Banking Corporation's management enthusiastically supports the merger with First Federal Bancorp, and joins with our board of directors in recommending that you vote "FOR" adoption of the merger agreement.**

Sincerely,

Craig A. Kus  
President and Chief Executive Officer

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger or the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense. The securities we are offering through this document are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

Joint proxy statement/prospectus dated \_\_\_\_\_, 2014

and first mailed to stockholders on or about \_\_\_\_\_, 2014

## WHERE YOU CAN FIND MORE INFORMATION

First Federal Bancorp files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”). You may obtain copies of these documents by mail from the public reference room of the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) 732-0330 for further information on the public reference room. In addition, First Federal Bancorp files reports and other information with the SEC electronically, and the SEC maintains a web site located at <http://www.sec.gov> containing this information. These documents are available without charge to you upon written request at First Federal Bancorp’s address listed below:

First Federal of Northern Michigan Bancorp, Inc.

100 South Second Avenue

Alpena, Michigan 49707

Attention: Michael W. Mahler

President and Chief Executive Officer

Additional information about Alpena Banking Corporation may be obtained by contacting:

Alpena Banking Corporation

468 North Ripley Boulevard

Alpena, Michigan 49707

Attention: Craig A. Kus

President and Chief Executive Officer

**To obtain timely delivery, you must request the information no later than \_\_\_\_\_, 2014.**

First Federal Bancorp has filed a registration statement on Form S-4 to register with the SEC up to 842,965 shares of First Federal Bancorp common stock. This document is a part of that registration statement. As permitted by SEC

rules, this document does not contain all of the information included in the registration statement or in the exhibits or schedules to the registration statement. You may read and copy the registration statement, including any amendments, schedules and exhibits at the addresses set forth above. Statements contained in this document as to the contents of any contract or other documents referred to in this document are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the registration statement.

**FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.**

**100 SOUTH SECOND AVENUE**

**ALPENA, MICHIGAN 49707**

**NOTICE OF THE SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON \_\_\_\_\_, 2014**

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of First Federal of Northern Michigan Bancorp, Inc. ("First Federal Bancorp") will be held at \_\_\_\_\_, Alpena, Michigan, at \_\_\_\_\_, Eastern time, on \_\_\_\_\_, 2014, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of January 23, 2014, by and between First Federal of Northern Michigan Bancorp, Inc. and Alpena Banking Corporation, and thereby to approve the transactions contemplated by the merger agreement, including the merger of Alpena Banking Corporation with and into First Federal Bancorp;
2. To approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the merger; and
3. To transact any other business which may properly come before the special meeting or any adjournment or postponement thereof.

The proposed merger is described in more detail in this joint proxy statement/prospectus, which you should read carefully in its entirety before you vote. A copy of the merger agreement is attached as **Appendix A** to this joint proxy statement/prospectus. Only First Federal Bancorp stockholders of record as of the close of business on \_\_\_\_\_, 2014, are entitled to notice of and to vote at the special meeting of stockholders or any adjournments of the special meeting.

**To ensure your representation at the special meeting of stockholders, please follow the voting procedures described in the accompanying joint proxy statement/prospectus and on the enclosed proxy card.** Following these procedures will not prevent you from voting in person, but will help to secure a quorum at the special meeting and avoid added solicitation costs. Your proxy may be revoked at any time before it is voted.

**FIRST FEDERAL BANCORP'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" ADOPTION OF THE MERGER AGREEMENT AND "FOR" THE ADJOURNMENT PROPOSAL DESCRIBED ABOVE.**

BY ORDER OF THE BOARD OF DIRECTORS

Eileen M. Budnick  
Corporate Secretary  
Alpena, Michigan

\_\_\_\_\_, 2014

**YOUR VOTE IS IMPORTANT!**

**WHETHER OR NOT YOU EXPECT TO ATTEND THE FIRST FEDERAL BANCORP SPECIAL MEETING IN PERSON, FIRST FEDERAL BANCORP URGES YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE BY COMPLETING, SIGNING AND RETURNING THE PROXY CARD OR VOTING INSTRUCTION CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED.** If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished to you by such record holder.

If you have any questions concerning the merger or other matters to be considered at the First Federal Bancorp special meeting, would like additional copies of this joint proxy statement/prospectus or need help voting your shares, please contact First Federal Bancorp's proxy solicitor:

Phoenix Advisory Partners, LLC

\_\_\_\_\_  
(800) \_\_\_\_ - \_\_\_\_ (toll free)



**ALPENA BANKING CORPORATION**

**468 NORTH RIPLEY BOULEVARD**

**ALPENA, MICHIGAN 49707**

**NOTICE OF THE SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON \_\_\_\_\_, 2014**

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Alpena Banking Corporation will be held at Bank of Alpena located at 468 North Ripley Boulevard, Alpena, Michigan at \_\_\_\_\_, Eastern Time, on \_\_\_\_\_, 2014, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of January 23, 2014, by and between First Federal of Northern Michigan Bancorp, Inc. ("First Federal Bancorp") and Alpena Banking Corporation, and thereby to approve the transactions contemplated by the merger agreement, including the merger of Alpena Banking Corporation with and into First Federal Bancorp;
2. To approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the merger; and
3. To transact any other business which may properly come before the special meeting or any adjournment or postponement thereof.

The proposed merger is described in more detail in this joint proxy statement/prospectus, which you should read carefully in its entirety before voting. A copy of the merger agreement is attached as **Appendix A** to this joint proxy statement/prospectus. Only Alpena Banking Corporation stockholders of record as of the close of business on \_\_\_\_\_, 2014, are entitled to notice of and to vote at the special meeting of stockholders or any adjournments of the special meeting.



**To ensure your representation at the special meeting of stockholders, please follow the voting procedures described in the accompanying joint proxy statement/prospectus and on the enclosed proxy card.** Following these procedures will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Your proxy may be revoked at any time before it is voted.

**ALPENA BANKING CORPORATION'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" ADOPTION OF THE MERGER AGREEMENT AND "FOR" THE ADJOURNMENT PROPOSAL DESCRIBED ABOVE.**

BY ORDER OF THE BOARD OF DIRECTORS

Craig A. Kus, President and Chief Executive Officer

Alpena, Michigan

\_\_\_\_\_, 2014

**DO NOT SEND STOCK CERTIFICATES WITH THE PROXY CARD. YOU WILL RECEIVE A LETTER OF TRANSMITTAL WITH INSTRUCTIONS FOR DELIVERING YOUR STOCK CERTIFICATES UNDER SEPARATE COVER.**

**YOUR VOTE IS IMPORTANT!**

**WHETHER OR NOT YOU EXPECT TO ATTEND THE ALPENA BANKING CORPORATION SPECIAL MEETING IN PERSON, ALPENA BANKING CORPORATION URGES YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE BY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED.** If your shares are held in the name of a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished to you by such record holder.

If you have any questions concerning the merger or other matters to be considered at the Alpena Banking Corporation special meeting, would like additional copies of this joint proxy statement/prospectus or need help voting your shares, please contact Alpena Banking Corporation at (989) 358-9900.

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Appendix A	Agreement and Plan of Merger
Appendix B	Fairness Opinion of RP Financial, LC.
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Appendix D	Audited Financial Statements of Alpena Banking Corporation at and for the Years Ended December 31, 2013 and 2012 and Unaudited Financial Statements of Alpena Banking Corporation for the Quarters Ended March 31, 2014 and 2013
Appendix E	Annual Report on Form 10-K for the year ended December 31, 2013 of First Federal of Northern Michigan Bancorp, Inc.
Appendix F	Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 of First Federal of Northern Michigan Bancorp, Inc.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS

*The following are answers to certain questions that you may have regarding the merger and the special meetings. We urge you to read carefully the remainder of this joint proxy statement/prospectus because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the appendices to this joint proxy statement/prospectus.*

***Questions and Answers for Alpena Banking Corporation Stockholders***

**Q: WHY AM I RECEIVING THIS DOCUMENT?**

First Federal of Northern Michigan Bancorp, Inc. (“First Federal Bancorp”) and Alpena Banking Corporation have agreed to combine under the terms of a Merger Agreement by and between First Federal Bancorp and Alpena Banking Corporation dated as of January 23, 2014 (the “Merger Agreement”) that is described in, and attached as **Appendix A** to, this joint proxy statement/prospectus. In order to complete the merger of Alpena Banking Corporation into First Federal Bancorp (the “Merger”), the stockholders of each company must vote to adopt the Merger Agreement and approve the Merger. Both Alpena Banking Corporation and First Federal Bancorp will hold special meetings of their respective stockholders to obtain these approvals. This joint proxy statement/prospectus contains important information about the Merger, the Merger Agreement, the special meetings, and other related matters, and you should read it carefully.

**Q: WHAT WILL HAPPEN TO ALPENA BANKING CORPORATION AS A RESULT OF THE MERGER?**

If the Merger is completed, Alpena Banking Corporation will merge into First Federal Bancorp, and Alpena Banking Corporation will cease to exist. Additionally, at the effective time of the Merger, Bank of Alpena, the wholly owned subsidiary of Alpena Banking Corporation, will merge with and into First Federal of Northern Michigan (“First Federal”), a federal savings bank and the wholly owned subsidiary of First Federal Bancorp, with First Federal being the surviving bank (the “Bank Merger”). The Merger and the Bank Merger are collectively referred to as the Merger throughout this document.

**Q: WHAT WILL ALPENA BANKING CORPORATION STOCKHOLDERS RECEIVE IN THE MERGER?**

If the proposals to approve the Merger Agreement are approved by both company’s stockholders and the Merger is subsequently completed, each outstanding share of Alpena Banking Corporation common stock will be converted into the right to receive 1.549 shares of First Federal Bancorp common stock.

**Q: WHEN WILL THE MERGER BE COMPLETED?**

We expect the Merger will be completed when all of the conditions to completion contained in the Merger Agreement are satisfied or waived, including the receipt of required regulatory approvals, the approval of the Merger Agreement by First Federal Bancorp stockholders at the First Federal Bancorp special meeting and the approval of the Merger Agreement by Alpena Banking Corporation stockholders at the Alpena Banking Corporation special meeting. We currently expect to complete the Merger during the third calendar quarter of 2014. However, because fulfillment of some of the conditions to completion of the Merger, such as the receipt of required regulatory approvals, is not entirely within our control, we cannot predict the actual timing of the completion of the Merger.

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**Q: WHAT HAPPENS IF THE MERGER IS NOT COMPLETED?**

A: If the Merger is not completed, Alpena Banking Corporation stockholders will not receive any consideration for their shares of common stock in connection with the Merger. Instead, Alpena Banking Corporation will remain an independent company. Under specified circumstances, either of the parties to the Merger Agreement may be required to pay to the other party a fee with respect to the termination of the Merger Agreement, as described under “Description of the Merger – Terminating the Merger Agreement” and “Description of the Merger – Termination Fee” beginning on page 76.

**Q: WHO IS BEING ASKED TO APPROVE MATTERS IN CONNECTION WITH THE MERGER?**

A: First Federal Bancorp stockholders and Alpena Banking Corporation stockholders are being asked to vote to approve the Merger-related proposals.

Under Maryland law, the Merger cannot be completed unless First Federal Bancorp stockholders vote to adopt the Merger Agreement and approve the Merger by the affirmative vote of a majority of the votes outstanding and entitled to be cast on the proposal. By this joint proxy statement/prospectus, First Federal Bancorp’s board of directors is soliciting proxies of First Federal Bancorp stockholders to provide this approval at the special meeting of First Federal Bancorp stockholders discussed below.

Under Michigan law, the Merger cannot be completed unless Alpena Banking Corporation stockholders vote to approve the Merger Agreement and the Merger by the affirmative vote of a majority of the votes outstanding and entitled to be cast on the proposal. By this joint proxy statement/prospectus, Alpena Banking Corporation’s board of directors is soliciting proxies of Alpena Banking Corporation stockholders to provide this approval at the special meeting of Alpena Banking Corporation stockholders discussed below.

**Q: SHOULD ALPENA BANKING CORPORATION STOCKHOLDERS SEND IN THEIR STOCK CERTIFICATES NOW?**

A: No. Alpena Banking Corporation stockholders **SHOULD NOT** send in any stock certificates now. If the Merger is approved, transmittal materials, with instructions for their completion, will be provided to Alpena Banking Corporation stockholders under separate cover and the stock certificates should be sent at that time.

**Q: WHAT ARE THE MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO ALPENA BANKING CORPORATION STOCKHOLDERS?**

A:

First Federal Bancorp and Alpena Banking Corporation will not be required to complete the Merger unless they receive legal opinions from tax counsel to the effect that the Merger will qualify as a tax-free reorganization for federal income tax purposes. Provided that the Merger qualifies as a tax-free reorganization for federal income tax purposes, we expect that, for federal income tax purposes, you generally will not recognize any gain or loss with respect to your shares of Alpena Banking Corporation common stock upon receiving shares of First Federal Bancorp common stock in the Merger, except with respect to any cash received in lieu of a fractional share interest in First Federal Bancorp common stock.

For a more detailed discussion of the material federal income tax consequences of the transaction, please see the section “Description of the Merger – Material Federal Income Tax Consequences of the Merger” beginning on page 58.

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The consequences of the Merger to any particular stockholder will depend on that stockholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your tax consequences from the Merger.

**Q: ARE ALPENA BANKING CORPORATION STOCKHOLDERS ENTITLED TO APPRAISAL RIGHTS?**

A: No. Under Michigan law, because the First Federal Bancorp common stock is listed on the Nasdaq Capital Market, stockholders of Alpena Banking Corporation are not entitled to dissenters' rights of appraisal with respect to their shares of Alpena Banking Corporation common stock. See "No Dissenters' Rights for Alpena Banking Corporation Stockholders" on page 33.

**Q: ARE THERE RISKS THAT I SHOULD CONSIDER IN DECIDING WHETHER TO VOTE FOR APPROVAL OF THE MERGER-RELATED PROPOSALS?**

A: Yes. You should read and carefully consider the risk factors set forth in the section of this joint proxy statement/prospectus entitled "Risk Factors" beginning on page 7.

**Q: WHEN AND WHERE WILL ALPENA BANKING CORPORATION STOCKHOLDERS MEET?**

A: Alpena Banking Corporation will hold a special meeting of its stockholders on \_\_\_\_\_, 2014, at \_\_\_\_\_, Eastern Time, at Bank of Alpena located at 468 North Ripley Boulevard, Alpena, Michigan.

**Q: WHAT MATTERS ARE ALPENA BANKING CORPORATION STOCKHOLDERS BEING ASKED TO APPROVE AT THE ALPENA BANKING CORPORATION SPECIAL MEETING PURSUANT TO THIS JOINT PROXY STATEMENT/PROSPECTUS?**

A: Alpena Banking Corporation stockholders are being asked to adopt the Merger Agreement and approve the transactions contemplated by the Merger Agreement, including the Merger. We refer to this proposal as the "Alpena Banking Corporation Merger Agreement proposal."

Alpena Banking Corporation stockholders also are being asked to approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the Alpena Banking Corporation Merger Agreement proposal, which we refer to as the "Alpena Banking Corporation adjournment proposal."

**Q:**



**WHAT DOES ALPENA BANKING CORPORATION'S BOARD OF DIRECTORS RECOMMEND WITH RESPECT TO THE TWO PROPOSALS?**

A: Alpena Banking Corporation's board of directors has unanimously approved the Merger Agreement and determined that the Merger Agreement and the Merger are fair to and in the best interests of Alpena Banking Corporation and its stockholders and unanimously recommends that Alpena Banking Corporation stockholders vote "**FOR**" the Alpena Banking Corporation Merger Agreement proposal.

Alpena Banking Corporation's board of directors also unanimously recommends that Alpena Banking Corporation stockholders vote "**FOR**" the Alpena Banking Corporation adjournment proposal.

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**Q: DID THE BOARD OF DIRECTORS OF ALPENA BANKING CORPORATION RECEIVE AN OPINION FROM A FINANCIAL ADVISOR WITH RESPECT TO THE MERGER?**

A: Yes. On January 23, 2014, RP Financial, LC. (“RP Financial”) rendered its written opinion to the board of directors of Alpena Banking Corporation that, as of such date and based upon and subject to the factors and assumptions set forth in the opinion, the consideration in the proposed Merger was fair, from a financial point of view, to holders of Alpena Banking Corporation common stock. The full text of RP Financial’s written opinion is attached as **Appendix B** to this joint proxy statement/prospectus. Alpena Banking Corporation stockholders are urged to read the opinion carefully.

**Q: WHO CAN VOTE AT THE ALPENA BANKING CORPORATION SPECIAL MEETING?**

A: Holders of record of Alpena Banking Corporation common stock at the close of business on \_\_\_\_\_, 2014, which is the record date for the Alpena Banking Corporation special meeting, are entitled to vote at the special meeting.

**Q: HOW MANY VOTES MUST BE REPRESENTED IN PERSON OR BY PROXY AT THE ALPENA BANKING CORPORATION SPECIAL MEETING TO HAVE A QUORUM?**

A: The holders of a majority of the shares of Alpena Banking Corporation common stock outstanding and entitled to vote at the special meeting, present in person or represented by proxy, will constitute a quorum at the special meeting.

**Q: WHAT VOTE BY ALPENA BANKING CORPORATION STOCKHOLDERS IS REQUIRED TO APPROVE THE ALPENA BANKING CORPORATION SPECIAL MEETING PROPOSALS?**

A: Approval of the Alpena Banking Corporation Merger Agreement proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Alpena Banking Corporation common stock entitled to be cast. Abstentions and broker non-votes will have the same effect as shares voted against the Alpena Banking Corporation Merger Agreement proposal.

Assuming a quorum is present at the Alpena Banking Corporation special meeting, approval of the Alpena Banking Corporation adjournment proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy at the special meeting and entitled to vote on the Alpena Banking Corporation adjournment proposal. Abstentions will have the same effect as shares voted against the Alpena Banking Corporation adjournment proposal, and broker non-votes will not affect whether the Alpena Banking Corporation adjournment proposal is approved.

As of the record date for the special meeting, directors and executive officers of Alpena Banking Corporation, together with their affiliates, had sole or shared voting power over approximately 30.8% of the Alpena Banking Corporation common stock outstanding and entitled to vote at the special meeting.

**HOW MAY THE ALPENA BANKING CORPORATION STOCKHOLDERS VOTE THEIR SHARES  
Q: FOR THE SPECIAL MEETING PROPOSALS PRESENTED IN THIS JOINT PROXY  
STATEMENT/PROSPECTUS?**

A: Alpena Banking Corporation stockholders may vote by completing, signing, dating and returning the proxy card in the enclosed prepaid return envelope as soon as possible. This will enable their shares to be represented and voted at the special meeting. If your stock is held in street name, you will receive instructions from your broker, bank or other nominee that you must follow to have your shares voted. Your broker, bank or other nominee may allow you to deliver your voting instructions via the telephone or the Internet. Please review the proxy card or instruction form

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provided by your broker, bank or other nominee that accompanies this joint proxy statement/prospectus.

**Q: WILL A BROKER OR BANK HOLDING SHARES IN “STREET NAME” FOR A ALPENA BANKING CORPORATION STOCKHOLDER AUTOMATICALLY VOTE THOSE SHARES FOR THE STOCKHOLDER AT THE ALPENA BANKING CORPORATION SPECIAL MEETING?**

No. A broker or bank **WILL NOT** be able to vote your shares with respect to the Alpena Banking Corporation Merger Agreement proposal without first receiving instructions from you on how to vote. If your shares are held in A: “street name,” you will receive separate voting instructions with your proxy materials. It is therefore important that you provide timely instruction to your broker or bank to ensure that all shares of Alpena Banking Corporation common stock that you own are voted at the special meeting.

**Q: WILL ALPENA BANKING CORPORATION STOCKHOLDERS BE ABLE TO VOTE THEIR SHARES AT THE ALPENA BANKING CORPORATION SPECIAL MEETING IN PERSON?**

Yes. Submitting a proxy will not affect the right of any Alpena Banking Corporation stockholder to vote in person A: at the special meeting. If an Alpena Banking Corporation stockholder holds shares in “street name,” the stockholder must ask its broker or bank how to vote those shares in person at the special meeting.

**Q: WHAT DO ALPENA BANKING CORPORATION STOCKHOLDERS NEED TO DO NOW?**

After carefully reading and considering the information contained in this joint proxy statement/prospectus, Alpena Banking Corporation stockholders are requested to vote by mail or by attending the special meeting and voting in person. If you choose to vote by mail, you should complete, sign, date and promptly return the enclosed proxy card. A: The proxy card will instruct the persons named on the proxy card to vote the stockholder’s Alpena Banking Corporation shares at the special meeting as the stockholder directs. If a stockholder signs and sends in a proxy card and does not indicate how the stockholder wishes to vote, the proxy will be voted “**FOR**” both of the special meeting proposals.

**Q: WHAT SHOULD AN ALPENA BANKING CORPORATION STOCKHOLDER DO IF HE OR SHE RECEIVES MORE THAN ONE SET OF VOTING MATERIALS?**

A: As an Alpena Banking Corporation stockholder, you may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple Alpena Banking Corporation proxy cards or voting instruction cards. For example, if you hold your Alpena Banking Corporation shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold Alpena Banking Corporation shares. If you are a holder of record and your Alpena Banking Corporation shares are registered in more than one name, you will receive more than one proxy card. In addition, if you are a holder of both Alpena Banking Corporation common stock and First Federal Bancorp common stock, you will receive one or

more separate proxy cards or voting instruction cards for each company. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this joint proxy statement/prospectus in the sections entitled “Special Meeting of Alpena Banking Corporation Stockholders” and “Special Meeting of First Federal Bancorp Stockholders.”

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**Q: MAY AN ALPENA BANKING CORPORATION STOCKHOLDER CHANGE OR REVOKE THE STOCKHOLDER'S VOTE AFTER SUBMITTING A PROXY?**

A: Yes. If you have not voted through your broker, you can change your vote by:

providing written notice of revocation to the Corporate Secretary of Alpena Banking Corporation, which must be filed with the Corporate Secretary by the time the special meeting begins;

submitting a new proxy card (any earlier proxies will be revoked automatically); or

attending the special meeting and voting in person. Any earlier proxy will be revoked. However, simply attending the special meeting without voting will not revoke your proxy.

If you have instructed a broker to vote your shares, you must follow your broker's directions to change your vote.

**Q: WHAT HAPPENS IF I SELL MY SHARES OF ALPENA BANKING CORPORATION COMMON STOCK BEFORE THE SPECIAL MEETING?**

The record date for Alpena Banking Corporation stockholders entitled to vote at the special meeting is earlier than both the date of the special meeting and the completion of the Merger. If you transfer your Alpena Banking Corporation shares of common stock after the record date but before the special meeting, you will, unless special arrangements are made, retain your right to vote at the special meeting but will transfer the right to receive the Merger consideration to the person to whom you transfer your shares.

**Q: IF I AM AN ALPENA BANKING CORPORATION STOCKHOLDER, WHO CAN HELP ANSWER MY QUESTIONS?**

If you have any questions about the Merger or the special meeting, or if you need additional copies of this joint A: proxy statement/prospectus or the enclosed proxy card, you should contact Alpena Banking Corporation at (989) 358-9900.

*Questions and Answers for First Federal Bancorp Stockholders*

**Q: WHEN AND WHERE WILL FIRST FEDERAL BANCORP STOCKHOLDERS MEET?**

A: First Federal Bancorp will hold a special meeting of its stockholders on \_\_\_\_\_, 2014, at \_\_\_\_\_, Eastern Time, at \_\_\_\_\_, Alpena, Michigan.

**WHAT MATTERS ARE FIRST FEDERAL BANCORP STOCKHOLDERS BEING ASKED TO APPROVE AT THE FIRST FEDERAL BANCORP SPECIAL MEETING IN CONNECTION WITH THE MERGER PURSUANT TO THIS JOINT PROXY STATEMENT/PROSPECTUS?**

First Federal Bancorp stockholders are being asked to approve the Merger Agreement and approve the transactions contemplated by the Merger Agreement, including the Merger. We refer to this proposal as the “First Federal Bancorp Merger Agreement proposal.”

First Federal Bancorp stockholders also are being asked to approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the First Federal Bancorp Merger Agreement, which we refer to as the “First Federal Bancorp adjournment proposal.”

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**Q: WHAT DOES FIRST FEDERAL BANCORP’S BOARD OF DIRECTORS RECOMMEND WITH RESPECT TO THE PROPOSALS?**

A: First Federal Bancorp’s board of directors has unanimously approved the Merger Agreement and determined that the Merger Agreement and the Merger are fair to and in the best interests of First Federal Bancorp and its stockholders and unanimously recommends that First Federal Bancorp stockholders vote “**FOR**” the First Federal Bancorp Merger Agreement proposal.

First Federal Bancorp’s board of directors also unanimously recommends that First Federal Bancorp stockholders vote “**FOR**” the First Federal Bancorp adjournment proposal.

**Q: DID THE BOARD OF DIRECTORS OF FIRST FEDERAL BANCORP RECEIVE AN OPINION FROM A FINANCIAL ADVISOR WITH RESPECT TO THE MERGER?**

A: Yes. On January 23, 2014, Austin Associates, LLC (“Austin Associates”) rendered its written opinion to the board of directors of First Federal Bancorp that, as of the date of the opinion and based upon and subject to the factors and assumptions set forth in the opinion, the Merger consideration in the proposed Merger was fair to First Federal Bancorp from a financial point of view. The full text of Austin Associates’ written opinion is attached as **Appendix C** to this joint proxy statement/prospectus. First Federal Bancorp stockholders are urged to read the entire opinion carefully.

**Q: WHO CAN VOTE AT THE FIRST FEDERAL BANCORP SPECIAL MEETING?**

A: Holders of record of First Federal Bancorp common stock at the close of business on \_\_\_\_\_, 2014, which is the record date for the First Federal Bancorp special meeting, are entitled to vote at the special meeting.

**Q: HOW MANY VOTES MUST BE REPRESENTED IN PERSON OR BY PROXY AT THE FIRST FEDERAL BANCORP SPECIAL MEETING TO HAVE A QUORUM?**

A: The holders of a majority of the shares of First Federal Bancorp common stock outstanding and entitled to vote at the special meeting, present in person or represented by proxy, will constitute a quorum at the special meeting.

**Q: WHAT VOTE BY FIRST FEDERAL BANCORP STOCKHOLDERS IS REQUIRED TO APPROVE THE FIRST FEDERAL BANCORP SPECIAL MEETING PROPOSALS?**

A: Approval of the First Federal Bancorp Merger Agreement proposal requires the affirmative vote of the holders of a majority of the outstanding shares of First Federal Bancorp common stock entitled to be cast. Abstentions and



broker non-votes will have the same effect as shares voted against the Merger Agreement proposal.

Assuming a quorum is present at the First Federal Bancorp special meeting, approval of the First Federal Bancorp adjournment proposal requires the affirmative vote of a majority of the shares present in person or represented by proxy at the special meeting and entitled to vote on the First Federal Bancorp adjournment proposal. Abstentions will have the same effect as shares voted against the First Federal Bancorp adjournment proposal, and broker non-votes will not affect whether the First Federal Bancorp adjournment proposal is approved.

As of the record date for the special meeting, directors and executive officers of First Federal Bancorp, together with their affiliates, had sole or shared voting power over approximately 11.6% of the First Federal Bancorp common stock outstanding and entitled to vote at the special meeting.

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**HOW MAY FIRST FEDERAL BANCORP STOCKHOLDERS VOTE THEIR SHARES FOR THE Q: SPECIAL MEETING PROPOSALS PRESENTED IN THIS JOINT PROXY STATEMENT/PROSPECTUS?**

First Federal Bancorp stockholders may vote by signing, dating and returning the proxy card in the enclosed A: prepaid return envelope as soon as possible or by attending the special meeting and voting in person. This will enable their shares to be represented and voted at the special meeting.

**WILL A BROKER OR BANK HOLDING SHARES IN “STREET NAME” FOR A FIRST FEDERAL Q: BANCORP STOCKHOLDER AUTOMATICALLY VOTE THOSE SHARES FOR THE STOCKHOLDER AT THE FIRST FEDERAL BANCORP SPECIAL MEETING?**

No. A broker or bank **WILL NOT** be able to vote your shares with respect to the First Federal Bancorp Merger Agreement proposal without first receiving instructions from you on how to vote. If your shares are held in “street A: name,” you will receive separate voting instructions with your proxy materials. It is therefore important that you provide timely instruction to your broker or bank to ensure that all shares of First Federal Bancorp common stock that you own are voted at the special meeting.

**WILL FIRST FEDERAL BANCORP STOCKHOLDERS BE ABLE TO VOTE THEIR SHARES AT THE Q: FIRST FEDERAL BANCORP SPECIAL MEETING IN PERSON?**

Yes. Submitting a proxy will not affect the right of any First Federal Bancorp stockholder to vote in person at the special meeting. If you hold your shares in street name and wish to attend the meeting, you will need to bring proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are A: examples of proof of ownership. If you want to vote your shares of First Federal Bancorp common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or nominee who is the record holder of your shares. You will also need to bring proof of identity to vote at the meeting.

**Q: WHAT DO FIRST FEDERAL BANCORP STOCKHOLDERS NEED TO DO NOW?**

After carefully reading and considering the information contained in this joint proxy statement/prospectus, First Federal Bancorp stockholders are requested to vote by mail or by attending the special meeting and voting in person. If you choose to vote by mail, you should complete, sign, date and promptly return the enclosed proxy card. A: The proxy card will instruct the persons named on the proxy card to vote the stockholder’s First Federal Bancorp shares at the special meeting as the stockholder directs. If a stockholder signs and sends in a proxy card and does not indicate how the stockholder wishes to vote, the proxy will be voted “**FOR**” both of the special meeting proposals.

**Q:**

**WHAT SHOULD A FIRST FEDERAL BANCORP STOCKHOLDER DO IF HE OR SHE RECEIVES MORE THAN ONE SET OF VOTING MATERIALS?**

A: As a First Federal Bancorp stockholder, you may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your First Federal Bancorp shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold First Federal Bancorp shares. If you are a holder of record and your First Federal Bancorp shares are registered in more than one name, you will receive more than one proxy card. In addition, if you are a holder of both Alpena Banking Corporation common stock and First Federal Bancorp common stock, you will receive one or more separate proxy cards or voting instruction cards for each company. Please complete, sign, date and return each

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proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this joint proxy statement/prospectus in the sections entitled “Special Meeting of First Federal Bancorp Stockholders” and “Special Meeting of Alpena Banking Corporation. Stockholders.”

**Q: MAY A FIRST FEDERAL BANCORP STOCKHOLDER CHANGE OR REVOKE THE STOCKHOLDER’S VOTE AFTER SUBMITTING A PROXY?**

A: Yes. If you have not voted through your broker, you can change your vote by:

providing written notice of revocation to the Corporate Secretary of First Federal Bancorp, which must be filed with the Corporate Secretary by the time the special meeting begins; or

attending the special meeting and voting in person. Any earlier proxy will be revoked. However, simply attending the special meeting without voting will not revoke your proxy.

If you have instructed a broker to vote your shares, you must follow your broker’s directions to change your vote.

**Q: IF I AM A FIRST FEDERAL BANCORP STOCKHOLDER, WHO CAN HELP ANSWER MY QUESTIONS?**

If you have any questions about the Merger or the special meeting, or if you need additional copies of this joint A: proxy statement/prospectus or the enclosed proxy card, you should contact First Federal Bancorp’s proxy solicitor, Phoenix Advisory Partners, LLC, at (800) \_\_\_\_\_.

**Q: WHERE CAN I FIND MORE INFORMATION ABOUT FIRST FEDERAL BANCORP AND ALPENA BANKING CORPORATION?**

You can find more information about First Federal Bancorp and Alpena Banking Corporation from the various A: sources described under the section entitled “Where You Can Find More Information” at the end of this joint proxy statement/prospectus.

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SUMMARY

*This summary highlights selected information in this joint proxy statement/prospectus and may not contain all of the information important to you. To understand the Merger more fully, you should read this entire document carefully, including the documents attached to this Joint proxy statement/prospectus.*

The Companies

***First Federal Bancorp and First Federal of Northern Michigan***

First Federal of Northern Michigan Bancorp, Inc. (“First Federal Bancorp”) is a Maryland corporation and a savings and loan holding company that owns all of the outstanding shares of common stock of First Federal of Northern Michigan, a federal savings bank (“First Federal”). First Federal Bancorp was incorporated in 2004 for the purpose of becoming the savings and loan holding company of First Federal. At March 31, 2014, we had consolidated assets of \$215.3 million, deposits of \$165.7 million and stockholders’ equity of \$24.0 million. As of March 31, 2014, First Federal Bancorp had 2,884,049 shares of common stock issued and outstanding. First Federal Bancorp’s executive offices are located at 100 South Second Avenue, Alpena, Michigan 49707. Its phone number at that address is (800) 498-0013. First Federal Bancorp’s common stock is listed on The Nasdaq Capital Market under the symbol “FFNM.” First Federal Bancorp conducts its operations primarily through First Federal which has eight full-service facilities located in Alpena (two offices), Cheboygan, Emmet, Iosco, Otsego, Montmorency and Oscoda Counties, Michigan.

***Alpena Banking Corporation and Bank of Alpena***

Alpena Banking Corporation is a Michigan corporation and a bank holding company that owns all of the outstanding shares of common stock of Bank of Alpena. Alpena Banking Corporation was incorporated in connection with the chartering of Bank of Alpena, a Michigan-chartered commercial bank which was founded in 2001. To date, other than owning Bank of Alpena, Alpena Banking Corporation has had no material operations. Bank of Alpena operates from its office in Alpena, Michigan, and at March 31, 2014 had total assets of \$69.9 million, total deposits of \$62.7 million and stockholder equity of \$6.9 million. Bank of Alpena was formed by a group of business leaders in and around Alpena, Michigan primarily to address their perceived need for a community bank, with local decision making capabilities, to deliver commercial lending services to small and mid-sized businesses in the area. As of March 31, 2014, Alpena Banking Corporation had 533,700 shares of common stock issued and outstanding. Bank of Alpena’s address is 468 North Ripley Boulevard, Alpena, Michigan 49707. Its phone number at that address is (989) 358-9900. Its common stock is not quoted nor does it trade on any stock exchange or on the OTC Bulletin Board.

Special Meeting of Alpena Banking Corporation Stockholders; Required Vote (page 29)

A special meeting of Alpena Banking Corporation stockholders is scheduled to be held at Bank of Alpena located at 468 North Ripley Boulevard, Alpena, Michigan at \_\_\_\_\_.m., Eastern Time, on \_\_\_\_\_, 2014. At the special meeting, you will be asked to vote on a proposal to approve the Merger Agreement between Alpena Banking Corporation and First Federal Bancorp. You may also be asked to vote to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Merger Agreement.

Only Alpena Banking Corporation stockholders of record as of the close of business on \_\_\_\_\_ are entitled to notice of, and to vote at, the Alpena Banking Corporation special meeting and any adjournments or postponements of the special meeting.

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Approval of the Merger Agreement requires the affirmative vote of holders of a majority of the outstanding shares of Alpena Banking Corporation common stock entitled to vote. As of the record date, there were 533,700 shares of Alpena Banking Corporation common stock outstanding and entitled to vote. The directors and executive officers of Alpena Banking Corporation, as a group, beneficially owned 164,500 shares of Alpena Banking Corporation common stock, representing approximately 30.8% of the outstanding shares of Alpena Banking Corporation common stock as of the record date and have agreed to vote their shares in favor of the Merger at the special meeting.

Special Meeting of First Federal Bancorp, Inc. Stockholders; Required Vote (page 31)

A special meeting of First Federal Bancorp stockholders is scheduled to be held at \_\_\_\_\_, Alpena, Michigan at \_\_\_\_\_.m., Eastern Time, on \_\_\_\_\_, 2014. At the special meeting, you will be asked to vote on a proposal to approve the Merger Agreement between Alpena Banking Corporation and First Federal Bancorp. You may also be asked to vote to adjourn the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Merger.

Only First Federal Bancorp stockholders of record as of the close of business on \_\_\_\_\_, 2014 are entitled to notice of, and to vote at, the First Federal Bancorp special meeting and any adjournments or postponements of the meeting.

Approval of the Merger Agreement requires the affirmative vote of holders of a majority of the outstanding shares of First Federal Bancorp common stock entitled to vote. As of the record date, there were 2,884,049 shares of First Federal Bancorp common stock outstanding. The directors and executive officers of First Federal Bancorp, in the aggregate, beneficially owned 334,990 shares of First Federal Bancorp common stock, representing approximately 11.6% of the outstanding shares of First Federal Bancorp common stock as of the record date.

The Merger and the Merger Agreement (page 33)

First Federal Bancorp's merger with Alpena Banking Corporation is governed by the Merger Agreement. The Merger Agreement provides that, if all of the conditions are satisfied or waived, Alpena Banking Corporation will be merged with and into First Federal Bancorp with First Federal Bancorp as the surviving entity. **We encourage you to read the Merger Agreement, which is included as Appendix A to this joint proxy statement/prospectus.**

What Alpena Banking Corporation Stockholders Will Receive in the Merger (page 58)

Under the Merger Agreement, each share of Alpena Banking Corporation common stock will be exchanged for 1.549 shares of First Federal Bancorp common stock.

**Comparative Market Prices (page 28)**

The following table shows the closing price per share of First Federal Bancorp common stock and the equivalent price per share of Alpena Banking Corporation common stock, giving effect to the Merger, on January 23, 2014, which is the last day on which shares of First Federal Bancorp common stock traded preceding the public announcement of the proposed Merger, and on \_\_\_\_\_, 2014, the most recent practicable date prior to the mailing of this joint proxy statement/prospectus. The equivalent price per share of Alpena Banking Corporation common stock was computed by multiplying the price of a share of First Federal Bancorp common stock by the 1.549 exchange ratio. See “Description of the Merger –Consideration to be Received in the Merger” on page 58.



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	First Federal Bancorp Common Stock	Equivalent Price Per Share of Alpena Banking Corporation Common Stock
January 23, 2014	\$ 5.15	\$ 7.98
_____, 2014	\$ _____	\$ _____

**Recommendation of Alpena Banking Corporation’s Board of Directors (page 35)**

The Alpena Banking Corporation board of directors has unanimously approved the Merger Agreement and the Merger. The Alpena Banking Corporation board of directors believes that the Merger Agreement, including the Merger, is fair to, and in the best interests of, Alpena Banking Corporation and its stockholders, and therefore **unanimously recommends that Alpena Banking Corporation stockholders vote “FOR” the proposal to approve the Merger Agreement.** In reaching this decision, Alpena Banking Corporation’s board of directors considered a variety of factors, which are described in the section captioned “Description of the Merger – Recommendation of the Alpena Banking Corporation Board of Directors; Alpena Banking Corporation’s Reasons for the Merger” beginning on page 35.

Additionally, the Alpena Banking Corporation board of directors unanimously recommends that Alpena Banking Corporation stockholders vote **“FOR”** the proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the Merger Agreement.

**Opinion of Alpena Banking Corporation’s Financial Advisor (page 39)**

In deciding to approve the Merger, one of the factors considered by Alpena Banking Corporation’s board of directors was the opinion of RP Financial, which served as financial advisor to Alpena Banking Corporation’s board of directors. RP Financial delivered its written opinion on January 23, 2014 that the Merger consideration is fair to the holders of Alpena Banking Corporation common stock from a financial point of view. The full text of this opinion is included **Appendix B** to the joint proxy statement/prospectus. You should read the opinion carefully to understand the procedures followed, assumptions made, matters considered and limitations of the review conducted by RP Financial. Alpena Banking Corporation has agreed to pay RP Financial a fee of \$50,000 for its services in connection with the Merger and reimbursement of reasonable expenses.

**Recommendation of First Federal Bancorp’s Board of Directors (page 50)**

The First Federal Bancorp board of directors has unanimously approved the Merger Agreement and the Merger. The First Federal Bancorp board of directors believes that the Merger Agreement, including the Merger, is fair to, and in the best interests of, First Federal Bancorp and its stockholders, and therefore **unanimously recommends that First Federal Bancorp stockholders vote “FOR” the proposal to approve the Merger Agreement.** In reaching this decision, First Federal Bancorp’s board of directors considered a variety of factors, which are described in the section captioned “Description of the Merger – Recommendation of First Federal Bancorp’s Board of Directors and Reasons for Merger” beginning on page 50.

Additionally, the First Federal Bancorp board of directors unanimously recommends that First Federal Bancorp stockholders vote **“FOR”** the proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the Merger Agreement.

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**Opinion of First Federal Bancorp's Financial Advisor (page 52)**

In deciding to approve the Merger, one of the factors considered by First Federal Bancorp's board of directors was the opinion of Austin Associates, which served as financial advisor to First Federal Bancorp's board of directors. Austin Associates delivered its written opinion on January 23, 2014 that the Merger consideration is fair to the holders of First Federal Bancorp common stock from a financial point of view. The full text of this opinion is included as **Appendix C** to the joint proxy statement/prospectus. You should read the opinion carefully to understand the procedures followed, assumptions made, matters considered and limitations of the review conducted by Austin Associates. First Federal Bancorp has agreed to pay Austin Associates fees of \$10,000 for the analysis and advisory services leading up to signing of the Merger Agreement, an additional fee of \$20,000 upon execution of the Merger Agreement which included the issuance of its fairness opinion and a fee, at closing of the Merger, equal to \$70,000. In addition to these fees, Austin Associates will also be reimbursed for its reasonable expenses in connection with the Merger.

**Regulatory Matters Relating to the Merger (page 60)**

Under the terms of the Merger Agreement, the Merger cannot be completed unless the parties first receive all required bank regulatory approvals. First Federal Bancorp has submitted a request to the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") to waive the requirement that it register as a bank holding company in connection with the acquisition of Bank of Alpena. Because Bank of Alpena will be merged into First Federal at the effective time of the Merger, First Federal Bancorp expects that the Federal Reserve Board will grant this waiver. If First Federal Bancorp does not obtain such a waiver it will require approval of the Federal Reserve Board to become a bank holding company. Additionally, the merger of Bank of Alpena with and into First Federal requires the approval of the Office of the Comptroller of the Currency ("OCC"). First Federal has filed a bank merger act application with the OCC for this purpose. As of the date of this joint proxy statement/prospectus, First Federal Bancorp has not received a waiver from the Federal Reserve Board and First Federal has not received an approval from the OCC. While First Federal Bancorp and First Federal do not know of any reason why they would not be able to obtain approvals and waivers in a timely manner, First Federal Bancorp cannot be certain when or if it will receive these regulatory approvals and waivers.

**Conditions to Completing the Merger (page 64)**

The completion of the Merger is subject to the fulfillment of a number of conditions, including:

approval of the Merger Agreement at the special meetings of First Federal Bancorp and Alpena Banking Corporation, in each case by a majority of the outstanding shares of common stock entitled to vote;

- approval of the transaction by the appropriate regulatory authorities;
- receipt by each party of opinions from legal counsel to the effect that the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;
- the continued accuracy of representations and warranties made on the date of the Merger Agreement; and
  - no material adverse effect on either party to the Merger Agreement has occurred.

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**Terminating the Merger Agreement (page 75)**

The Merger Agreement may be terminated by mutual consent of First Federal Bancorp and Alpena Banking Corporation at any time prior to the completion of the Merger. Additionally, subject to conditions and circumstances described in the Merger Agreement, either First Federal Bancorp or Alpena Banking Corporation may terminate the Merger Agreement if, among other things, any of the following occur:

the Merger has not been consummated by December 31, 2014;

Alpena Banking Corporation stockholders do not approve the Merger Agreement at the Alpena Banking Corporation special meeting;

First Federal Bancorp stockholders do not approve the Merger Agreement at the First Federal Bancorp special meeting;

a required regulatory approval is denied or a governmental authority blocks the Merger; or

there is a breach by the other party of any representation, warranty, covenant or agreement contained in the Merger Agreement, which cannot be cured, or has not been cured within 30 days after the giving of written notice to such party of such breach.

Alpena Banking Corporation may also terminate the Merger Agreement if First Federal Bancorp's total stockholders' equity on the last day of the month prior to the month of the closing of the Merger, computed in accordance with United States generally accepted accounting principles ("GAAP"), is less than \$22,060,000, adjusted to eliminate the transaction costs of the Merger and any changes in accumulated other comprehensive income.

First Federal Bancorp may also terminate the Merger Agreement if Alpena Banking Corporation's total stockholders' equity on the last day of the month prior to the month of the closing of the Merger, computed in accordance with GAAP, is less than \$6,307,000, adjusted to eliminate the transaction costs of the Merger and any changes in accumulated other comprehensive income.

**Termination Fee (page 76)**

Under certain circumstances described in the Merger Agreement, First Federal Bancorp may demand from Alpena Banking Corporation a termination fee of \$200,000 or, if greater, reimbursement of up to \$400,000 for actual costs and expenses incurred by First Federal Bancorp, in connection with the termination of the Merger Agreement. Under certain circumstances, Alpena Banking Corporation may demand from First Federal Bancorp \$200,000 for fees incurred by Alpena Banking Corporation in connection with the Merger. See “Description of the Merger – Termination Fee” beginning on page 76 for a list of the circumstances under which a termination fee is payable.

**Interests of Certain Persons in the Merger that are Different from Yours (page 62)**

In considering the recommendation of the board of directors of Alpena Banking Corporation to adopt the Merger Agreement, you should be aware that some of Alpena Banking Corporation’s directors and officers may have interests in the Merger that are different from, or in addition to, the interests of Alpena Banking Corporation’s stockholders generally. These include the appointment of four Alpena

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Banking Corporation directors to the board of directors of First Federal Bancorp; the vesting of 10,500 restricted shares of Alpena Banking Corporation common stock to Craig A. Kus, President and Chief Executive Officer and a director of Alpena Banking Corporation, at the effective time of the Merger, which based on the 1.549 exchange ratio and the closing price of First Federal Bancorp as of \_\_\_\_\_, 2014 has a value of approximately \$\_\_\_\_\_; provisions in the Merger Agreement relating to indemnification of directors and officers and insurance for directors and officers of Alpena Banking Corporation for events occurring before the Merger; and the appointment of Craig A. Kus and Joseph Garber, each executive officers of Bank of Alpena, as executive officers of First Federal. Alpena Banking Corporation's board of directors was aware of these interests and took them into account in approving the Merger. See "Description of the Merger – Interests of Certain Persons in the Merger that are Different from Yours" On page 62.

### **Accounting Treatment of the Merger (page 58)**

The Merger will be accounted for using the purchase method in accordance with U.S. GAAP.

### **Comparison of Rights of Stockholders (page 80)**

When the Merger is completed, Alpena Banking Corporation stockholders will become First Federal Bancorp stockholders and their rights will be governed by Maryland law and by First Federal Bancorp's articles of incorporation and bylaws. See "Comparison of Rights of Stockholders" beginning on page 80 for a summary of the material differences between the respective rights of Alpena Banking Corporation and First Federal Bancorp stockholders.

### **No Dissenters' Rights for Alpena Banking Corporation Stockholders (page 33)**

Under the Michigan Business Corporation Act, Alpena Banking Corporation stockholders do not have dissenters' rights of appraisal. See "No Dissenters' Rights for Alpena Banking Corporation Stockholders" on page 33.

### **Material Federal Income Tax Consequences of the Merger (page 58)**

Provided that the Merger will qualify as a tax-free reorganization for federal income tax purposes, Alpena Banking Corporation stockholders will not recognize gain or loss for their shares of Alpena Banking Corporation stock that are

exchanged for First Federal Bancorp stock, other than partial shares for which they will received cash. For a more detailed discussion of the material federal income tax consequences of the transaction, please see the section “Description of the Merger – Material Federal Income Tax Consequences of the Merger” beginning on page 58.

**This tax treatment may not apply to all Alpena Banking Corporation stockholders. Determining the actual tax consequences of the Merger to Alpena Banking Corporation stockholders can be complicated. Alpena Banking Corporation stockholders should consult their own tax advisor for a full understanding of the Merger’s tax consequences that are particular to each stockholder.**



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RISK FACTORS

*In addition to the other information contained in this joint proxy statement/prospectus, you should consider carefully the risk factors described below, in deciding how to vote. You should keep these risk factors in mind when you read forward-looking statements in this document. Please refer to the section of this joint proxy statement/prospectus titled "Caution About Forward-Looking Statements" beginning on page 18.*

**Risks Related to the Transaction**

**The price of First Federal Bancorp common stock will fluctuate, and therefore Alpena Banking Corporation stockholders will not know until the effective time of the Merger the value of the consideration they will receive in the Merger.**

Because the per share stock consideration is fixed at 1.549 shares of First Federal Bancorp common stock, the market value of the First Federal Bancorp common stock to be issued in the Merger will depend upon the market price of First Federal Bancorp common stock. This market price likely will vary from the closing price of First Federal Bancorp common stock on the date the Merger was announced, on the date that this joint proxy statement/prospectus was mailed, and on the dates of the First Federal Bancorp and Alpena Banking Corporation special meetings. Accordingly, at the time of the special meeting of stockholders, Alpena Banking Corporation stockholders will not necessarily know or be able to calculate the value of the merger consideration they would be entitled to receive upon completion of the Merger. You should obtain current market quotations for shares of First Federal Bancorp common stock.

**The price of First Federal Bancorp common stock might decrease after the Merger.**

Following the Merger, holders of Alpena Banking Corporation common stock will become stockholders of First Federal Bancorp. First Federal Bancorp common stock could decline in value after the Merger. For example, during the twelve-month period ending on \_\_\_\_\_, 2014 (the most recent practicable date before the printing of this joint proxy statement/prospectus), the closing price of First Federal Bancorp common stock varied from a low of \$\_\_\_\_\_ to a high of \$\_\_\_\_\_ and ended that period at \$\_\_\_\_\_. The market value of First Federal Bancorp common stock fluctuates based upon general market conditions, First Federal Bancorp's business and prospects and other factors. Further, the market price of First Federal Bancorp common stock after the Merger may be affected by factors different from those affecting the common stock of First Federal Bancorp or Alpena Banking Corporation currently. The businesses of Alpena Banking Corporation and First Federal Bancorp differ and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations and market prices of common

stock of each of Alpena Banking Corporation and First Federal Bancorp. For a discussion of the businesses of Alpena Banking Corporation see “Information With Regard to Alpena Banking Corporation” beginning on page 87 and **Appendix D**, and for a discussion of the business of First Federal Bancorp see “Information With Regard to First Federal Bancorp” beginning on page 100 and **Appendix E** and **Appendix F**.

First Federal Bancorp may be unable to successfully integrate Alpena Banking Corporation’s operations and retain Alpena Banking Corporation’s employees.

The Merger involves the integration of two companies that have previously operated independently. First Federal Bancorp has never before merged with or acquired another financial institution. The difficulties of combining the operations of the two companies include: integrating

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personnel with diverse business backgrounds; combining different corporate cultures; and retaining key employees.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of the business and the loss of key personnel. The integration of the two companies will require the experience and expertise of certain key employees of Alpena Banking Corporation who are expected to be retained by First Federal Bancorp. First Federal Bancorp may not be successful in retaining these employees for the time period necessary to successfully integrate Alpena Banking Corporation's operations with those of First Federal Bancorp. The diversion of management's attention and any delay or difficulty encountered in connection with the Merger and the integration of the two companies' operations could have an adverse effect on the business and results of operation of First Federal Bancorp following the Merger.

The termination fee and the restrictions on solicitation contained in the Merger Agreement may discourage other companies from trying to acquire Alpena Banking Corporation.

Until the completion of the Merger, with some exceptions, Alpena Banking Corporation is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiry or proposal that may lead to an acquisition proposal, such as a merger or other business combination transaction, with any person other than First Federal Bancorp. In addition, Alpena Banking Corporation has agreed to pay a termination fee to First Federal Bancorp in specified circumstances. These provisions could discourage other companies from trying to acquire Alpena Banking Corporation even though those other companies might be willing to offer greater value to Alpena Banking Corporation's stockholders than First Federal Bancorp has offered in the Merger. The payment of the termination fee could also have a material adverse effect on Alpena Banking Corporation's financial condition.

Certain of Alpena Banking Corporation's officers and directors have interests that are different from, or in addition to, interests of Alpena Banking Corporation stockholders generally.

In considering the recommendation of the board of directors of Alpena Banking Corporation to adopt the Merger Agreement, you should be aware that some of Alpena Banking Corporation's directors and officers may have interests in the Merger that are different from, or in addition to, the interests of Alpena Banking Corporation's stockholders generally. These include the appointment of four directors of Alpena Banking Corporation to the board of directors of First Federal Bancorp; the vesting of 10,500 restricted shares of Alpena Banking Corporation common stock to Craig A. Kus, President and Chief Executive Officer and a director of Alpena Banking Corporation, at the effective time of the Merger; which based on the 1.549 exchange ratio and the closing price of First Federal Bancorp as of \_\_\_\_\_, 2014 has a value of approximately \$\_\_\_\_\_; provisions in the Merger Agreement relating to indemnification of directors and officers and insurance for directors and officers of Alpena Banking Corporation for events occurring before the Merger; and the appointment of Craig A. Kus and Joseph Garber, each executive officers of Bank of Alpena, as executive officers of First Federal. Members of Alpena Banking Corporation's board of directors were aware of these interests and took them into account in approving the Merger. For a more detailed discussion of these

interests, see “Description of the Merger – Interests of Certain Persons in the Merger that are Different from Yours” beginning on page 62.

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**Failure to complete the Merger could negatively impact the stock prices and future businesses and financial results of First Federal Bancorp and Alpena Banking Corporation.**

If the Merger is not completed, the ongoing businesses of First Federal Bancorp and Alpena Banking Corporation may be adversely affected and First Federal Bancorp and Alpena Banking Corporation will be subject to several risks, including the following:

First Federal Bancorp and Alpena Banking Corporation will be required to pay certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor and printing fees;

under the Merger Agreement, Alpena Banking Corporation is subject to certain restrictions on the conduct of its business prior to completing the Merger, which may adversely affect its ability to execute certain of its business strategies; and

matters relating to the Merger may require substantial commitments of time and resources by First Federal Bancorp and Alpena Banking Corporation management, which could otherwise have been devoted to other opportunities that may have been beneficial to First Federal Bancorp and Alpena Banking Corporation as independent companies, as the case may be.

In addition, if the Merger is not completed, First Federal Bancorp and/or Alpena Banking Corporation may experience negative reactions from the financial markets and from their respective customers and employees. This risk may be particularly significant since the parties share the same primary market area. First Federal Bancorp and/or Alpena Banking Corporation also could be subject to litigation related to any failure to complete the Merger or to enforcement proceedings commenced against First Federal Bancorp or Alpena Banking Corporation to perform their respective obligations under the Merger Agreement. If the Merger is not completed, First Federal Bancorp and Alpena Banking Corporation cannot assure their stockholders that the risks described above will not materialize and will not materially affect the business, financial results and stock prices of First Federal Bancorp and/or Alpena Banking Corporation.

**Alpena Banking Corporation stockholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over management of the combined organization.**

Alpena Banking Corporation stockholders currently have the right to vote in the election of the Alpena Banking Corporation's board of directors and on various other matters affecting Alpena Banking Corporation. Upon the completion of the Merger, each Alpena Banking Corporation stockholder will become a stockholder of First Federal Bancorp with a percentage ownership of the combined organization that is much smaller than the stockholder's percentage ownership of Alpena Banking Corporation. It is expected that the former stockholders of Alpena Banking Corporation in the aggregate will receive shares in the merger constituting approximately 22.6% of the outstanding

shares of First Federal Bancorp common stock immediately after the Merger. As a result, Alpena Banking Corporation stockholders will have significantly less influence on the management and policies of First Federal Bancorp than they now have on the management and policies of Alpena Banking Corporation.

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**The shares of First Federal Bancorp common stock to be received by Alpena Banking Corporation stockholders as a result of the Merger will have different rights from shares of Alpena Banking Corporation common stock.**

Following completion of the Merger, Alpena Banking Corporation stockholders will no longer be stockholders of Alpena Banking Corporation but will instead be stockholders of First Federal Bancorp. Alpena Banking Corporation is a Michigan corporation governed by the Michigan Business Corporation Act and the restated articles of incorporation and bylaws of Alpena Banking Corporation. First Federal Bancorp is a Maryland corporation governed by the Maryland General Corporation Law and its articles of incorporation and bylaws. Accordingly, there may be important differences between the current rights of Alpena Banking Corporation stockholders and the rights of First Federal Bancorp stockholders that may be important to Alpena Banking Corporation stockholders. See “Comparison of Rights of Stockholders” beginning on page 80 for a discussion of the different rights associated with First Federal Bancorp common stock and Alpena Banking Corporation common stock.

**The fairness opinion obtained by Alpena Banking Corporation from its financial advisor does not reflect changes in circumstances subsequent to the date of the fairness opinion.**

RP Financial, Alpena Banking Corporation’s financial advisor in connection with the Merger, has delivered to the board of directors of Alpena Banking Corporation its opinion dated as of January 23, 2014. The opinion of RP Financial stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the Merger consideration to be paid to the holders of the outstanding shares of Alpena Banking Corporation common stock pursuant to the Merger Agreement was fair from a financial point of view to such holders. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of First Federal Bancorp or Alpena Banking Corporation, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the relative values of First Federal Bancorp and Alpena Banking Corporation.

**The fairness opinion obtained by First Federal Bancorp from its financial advisor does not reflect changes in circumstances subsequent to the date of the fairness opinion.**

Austin Associates, First Federal Bancorp’s financial advisor in connection with the Merger, has delivered to the board of directors of First Federal Bancorp its opinion dated as of January 23, 2014. The opinion of Austin Associates stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the Merger consideration to be paid to the holders of the outstanding shares of Alpena Banking Corporation common stock pursuant to the Merger Agreement was fair from a financial point of view to such holders. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of Alpena Banking Corporation or First Federal Bancorp, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based,

may materially alter or affect the relative values of Alpena Banking Corporation and First Federal Bancorp.

**There is no assurance when or even if the Merger will be completed.**

Completion of the Merger is subject to satisfaction or waiver of a number of conditions. See “Description of the Merger – Conditions to Completing the Merger” on page 64. There can be no assurance that First Federal Bancorp and Alpena Banking Corporation will be able to satisfy the closing conditions or that closing conditions beyond their control will be satisfied or waived.



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First Federal Bancorp and Alpena Banking Corporation can agree at any time to terminate the Merger Agreement, even if Alpena Banking Corporation stockholders and First Federal Bancorp stockholders have already voted to approve the Merger Agreement. First Federal Bancorp and Alpena Banking Corporation can also terminate the Merger Agreement under other specified circumstances.

**The Merger is subject to the receipt of consents and approvals from regulatory authorities that may impose conditions that could have an adverse effect on First Federal Bancorp or, if not obtained, could prevent completion of the Merger.**

Before the Merger may be completed, various approvals and/or waivers must be obtained from regulatory entities. These regulators may impose conditions on the completion of the Merger or require changes to the terms of the Merger. Any such conditions or changes could have the effect of delaying completion of the Merger or imposing additional costs on or limiting the revenues of First Federal Bancorp following the Merger.

Either First Federal Bancorp or Alpena Banking Corporation may terminate the Merger Agreement if the Merger has not been completed by December 31, 2014, unless the failure of the Merger to be completed has resulted from the failure of the party seeking to terminate the merger agreement to perform its obligations under the Merger Agreement.

**Any failure to successfully integrate the business of Alpena Banking Corporation could adversely affect First Federal Bancorp' results of operations or financial condition.**

There are significant risks and uncertainties associated with mergers and acquisitions. The success of First Federal Bancorp' merger with Alpena Banking Corporation will depend, in part, on First Federal Bancorp' ability to realize the anticipated benefits and cost savings from combining the businesses of First Federal Bancorp with Alpena Banking Corporation. If First Federal Bancorp is not able to successfully integrate these businesses, the anticipated benefits and cost savings of the acquisition may not be realized fully or may take longer to realize than expected. For example, First Federal Bancorp may fail to realize the growth opportunities and cost savings anticipated to be derived from the acquisition. In addition, as with regard to any of acquisition, a significant decline in asset valuations or cash flows may also cause First Federal Bancorp not to realize expected benefits.

To the extent that the value of the shares of First Federal Bancorp common stock to be issued in the Merger exceeds the fair value of the net assets, including identifiable intangibles of Alpena Banking Corporation, at the effective date of the Merger, that amount will be reported as goodwill. In accordance with current accounting guidance, goodwill will not be amortized but will be evaluated for impairment annually. A failure to realize expected benefits of the Merger could adversely impacting the carrying value of the goodwill recognized in the Mergers, and in turn negatively affect First Federal Bancorp's financial condition.

**Risks Related to First Federal Bancorp**

*Throughout this section of “Risk Factors,” references to “we,” “our” and “us” refer to First Federal Bancorp and First Federal on a consolidated basis.*

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**We have a high concentration of loans secured by real estate in our market area. Adverse economic conditions, both generally and in our market area, could adversely affect our financial condition and results of operations.**

We have relatively few loans outside of our market area which we consider to be the northeastern portion of the lower peninsula of Michigan, and, as a result, we have a greater risk of loan defaults and losses in the event of a further economic downturn in our market area, as adverse economic conditions may have a negative effect on the ability of our borrowers to make timely payments of their loans. During the last several years, economic conditions and real estate values within our market area have declined significantly. We believe that these conditions in our market area have contributed to our non-performing assets, loan charge-offs and our provisions for loan losses.

More generally, the United States experienced a severe economic recession in 2008 and 2009, the effects of which have continued through 2013 and into 2014. Recent growth has been slow and unemployment remains at high levels. As a result, economic recovery is expected to be slow and loan portfolio quality has remained poor at many financial institutions reflecting, in part, the continuing weak United States economy and high unemployment rates.

Alpena County lags both the State of Michigan and the United States with respect to most economic and demographic data points. Specifically, according to the U.S. Census Bureau, the population of Alpena County has declined from 31,300 in 2000 to 29,600 in 2013 and is projected to decline to 29,400 by 2018. Further, the median household income for Alpena County in 2013 was \$34,500 compared to the Michigan median household income for 2013 of \$46,400 and the U.S. median household income of \$51,300. Additionally, the unemployment rate for Alpena County for 2013 was 10.4%, compared to a 2013 Michigan unemployment rate of 8.0% and 2013 the U.S. employment rate of 6.7%.

We believe that the unfavorable economic conditions of the past several years will continue to have an unfavorable impact on our operations as long as they persist.

**A significant portion of our loans are commercial real estate and commercial loans, which carry greater credit risk than loans secured by owner-occupied one- to four-family real estate.**

At March 31, 2014, commercial real estate loans totaled \$51.6 million, or 37.6% of our loan portfolio, and commercial loans, including term loans and revolving lines of credit, totaled \$12.3 million, or 8.9% of our total loan portfolio. Given their larger balances and the complexity of the underlying collateral, commercial real estate loans generally expose a lender to greater credit risk than loans secured by owner-occupied one- to four-family real estate. Commercial real estate and commercial loans also have greater credit risk than residential real estate because repayment is dependent on income being generated in amounts sufficient to cover operating expenses, property maintenance and debt service, and because repayment is generally dependent upon the successful operation of the borrower's business.

If loans that are collateralized by real estate or other business assets become troubled and the value of the collateral has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could cause us to increase our provision for loan losses and adversely affect our operating results and financial condition.

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**Our business may be adversely affected by credit risk associated with residential property.**

At March 31, 2014, \$63.6 million, or 46.4% of our total loan portfolio, was secured by one-to-four family residential real estate mortgage loans which are generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. The decline in residential real estate values as a result of the downturn in the Michigan housing market has reduced the value of the real estate collateral securing these types of loans and increased the risk that we would incur losses if borrowers default on their loans reflected in our recent charge-off experience on these loans.

Many of our one-to-four family residential real estate mortgage loans are secured by liens on mortgage properties in which the borrowers have little or no equity because of the decline in home values in our market areas. Residential loans with combined higher loan-to-value ratios will be more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, they may be unable to repay their loans in full from the sale proceeds. Further, a significant amount of our home equity loans and lines of credit consist of second mortgage loans. For those home equity loans and lines of credit secured by a second mortgage, it is unlikely that we will be successful in recovering all or a portion of our loan proceeds in the event of default unless we are prepared to repay the first mortgage loan and such repayment and the costs associated with a foreclosure are justified by the value of the property. For these reasons, we may experience higher rates of delinquencies, default and losses on our residential loans.

**If our allowance for loan losses is not sufficient to cover actual loan losses, we may be required to make additional provisions for loan losses, which would cause our earnings to decrease.**

We are exposed to the risk that our borrowers may default on their obligations. A borrower's default on its obligations under one or more loans may result in lost principal and interest income and increased operating expenses as a result of the allocation of management time and resources to the collection and work-out of the loan. In certain situations, where collection efforts are unsuccessful or acceptable work-out arrangements cannot be reached, we may have to charge-off the loan in whole or in part. In such situations, we may acquire real estate or other assets, if any, that secure the loan through foreclosure or other similar available remedies, and the amount owed under the defaulted loan may exceed the value of the assets acquired.

We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate other factors including, among other things, current economic conditions. If our assumptions are incorrect, or if delinquencies do not continue to improve or non-accrual and non-performing loans increase, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, which

would require additions to our allowance, which could materially decrease our net income.

In addition, bank regulators periodically review our allowance for loan losses and, based on their judgments and information available to them at the time of their review, may require us to increase our allowance for loan losses or recognize further loan charge-offs. An increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities may result in a decrease of our net income and, possibly, our capital position, which may have a material adverse effect on our financial condition and results of operations.

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**Changes in interest rates could adversely affect our results of operations and financial condition.**

Our profitability depends substantially on our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense paid on our interest-bearing liabilities. Increases in interest rates may decrease loan demand and make it more difficult for borrowers to repay adjustable-rate loans. In addition, as market interest rates rise, we will have competitive pressures to increase the rates we pay on deposits. Because interest rates we pay on our deposits would be expected to increase more quickly than the increase in the yields we earn on our interest-earning assets, our net interest income would be adversely affected.

We also are subject to reinvestment risk associated with changes in interest rates. Changes in interest rates may affect the average life of loans and mortgage-related securities. Decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments at rates that are comparable to the interest rates on existing loans and securities.

**A downturn in the local economy or a decline in real estate values could hurt our profits.**

Our local economy may affect our future growth possibilities and operations in our primary market area. Our future growth opportunities depend on the growth and stability of our regional economy and our ability to expand our market area. In addition, nearly all of our loans are to customers located in the upper northeast portion of the lower peninsula of Michigan. A downturn in our local economy may limit funds available for deposit and may negatively affect our borrowers' ability to repay their loans on a timely basis, both of which could have an impact on our profitability. Also, a decline in real estate valuations in our market area would lower the value of the collateral securing our loans.

**Our small size makes it more difficult for us to compete.**

Our small asset size makes it more difficult to compete with other financial institutions which are generally larger and can more easily afford to invest in the marketing and technologies needed to attract and retain customers. Because our principal source of income is the net interest income we earn on our loans and investments after deducting interest paid on deposits and other sources of funds, our ability to generate the revenues needed to cover our expenses and finance such investments is limited by the size of our loan and investment portfolios. Accordingly, we are not always able to offer new products and services as quickly as our larger competitors. In addition, our smaller customer base makes it difficult to generate meaningful non-interest income. Finally, as a smaller institution, we are disproportionately affected by the continually increasing costs of compliance with new banking and other regulations.

**We operate in a highly regulated environment and may be adversely affected by changes in laws and regulations.**

First Federal is subject to extensive regulation, supervision and examination by the OCC, as its primary federal regulator, and First Federal Bancorp is supervised and examined by the Federal Reserve Board as a savings and loan holding company. Such regulation and supervision govern the activities in which an institution and its holding companies may engage and are intended primarily for the protection of the insurance fund and depositors. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution's allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy,



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regulations, or legislation, including changes in the regulations governing savings and loan holding companies, could have a material impact on First Federal Bancorp, First Federal and our operations.

**Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.**

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but such events may still occur and may not be adequately addressed if they do occur. In addition any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource a majority of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business, subject us to additional regulatory scrutiny or expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

**New regulations could restrict our ability to originate and sell mortgage loans.**

The Consumer Financial Protection Bureau has issued a rule designed to clarify for lenders how they can avoid monetary damages under the Dodd-Frank Act, which would hold lenders accountable for ensuring a borrower's ability to repay a mortgage. Loans that meet this "qualified mortgage" definition will be presumed to have complied with the new ability-to-repay standard. Under the Consumer Financial Protection Bureau's rule, a "qualified mortgage" loan must not contain certain specified features, including:

excessive upfront points and fees (those exceeding 3% of the total loan amount, less “bona fide discount points” for prime loans);

· interest-only payments;

· negative-amortization; and

· terms longer than 30 years.

Also, to qualify as a “qualified mortgage,” a borrower’s total monthly debt-to-income ratio may not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify the borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments. Although the significant majority of First Federal’s historical loan originations would qualify as qualified mortgages under the new rule on qualified mortgages, the new rule may limit First Federal’s ability or desire to make certain types of loans or loans to certain borrowers, and may make it

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more costly/and or time consuming to make these loans, which could limit First Federal's growth and/or profitability. The new rule may also alter First Federal's residential mortgage loan origination mix between qualified and non-qualified mortgage loans, which could reduce gain on sale fees from secondary market loan sales and affect interest rate risk related to non-qualified loans that are originated and held in First Federal's portfolio.

**We will become subject to more stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or constrain us from paying dividends or repurchasing shares.**

In July 2013, the OCC and the other federal regulators approved a new rule that will substantially amend the regulatory risk-based capital rules applicable to First Federal. The final rule implements the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act.

The final rule includes new minimum risk-based capital and leverage ratios, which will be effective for First Federal on January 1, 2015, and refines the definition of what constitutes "capital" for purposes of calculating these ratios. The new minimum capital requirements will be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4%. The final rule also establishes a "capital conservation buffer" of 2.5%, and will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 to risk-based assets capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement would be phased in beginning in January 2016 at 0.625% of risk-weighted assets and would increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions.

The application of more stringent capital requirements for First Federal could, among other things, result in lower returns on equity, require the raising of additional capital, and result in regulatory actions constraining us from paying dividends or repurchasing shares if we were to be unable to comply with such requirements.

**We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.**

We are a community bank, and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our current market and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part

of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected, by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and operating results may be adversely affected.

**Future legislative or regulatory actions could impair our rights against borrowers.**

There have been proposals made by members of Congress and others that would reduce the amount distressed borrowers are otherwise contractually obligated to pay under their mortgage loans and

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limit an institution's ability to foreclose on mortgage collateral. If proposals such as these, or other proposals limiting our rights as a creditor, are implemented, we could experience increased credit losses or increased expense in pursuing our remedies as a creditor.

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CAUTION ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this document that are not historical facts may constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (referred to as the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the Securities Exchange Act), and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The sections of this document which contain forward-looking statements include, but are not limited to, “Questions And Answers About the Merger and the Special Meetings,” “Summary,” “Risk Factors,” “Description of the Merger – Background of the Merger,” “Description of the Merger – Recommendation of the Alpena Banking Corporation Board of Directors; Alpena Banking Corporation’s Reasons for the Merger” and “Description of the Merger – Recommendation of the First Federal Bancorp Board of Directors; First Federal Bancorp’s Reasons for the Merger.” You can identify these statements from the use of the words “may,” “will,” “should,” “could,” “would,” “plan,” “potential,” “estimate,” “project,” “be,” “intend,” “anticipate,” “expect,” “target” and similar expressions.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including among other things, changes in general economic and business conditions and the risks and other factors set forth in the “*Risk Factors*” section beginning on page 7.

Because of these and other uncertainties, First Federal Bancorp’s actual results, performance or achievements, or industry results, may be materially different from the results indicated by these forward-looking statements. In addition, First Federal Bancorp’s and Alpena Banking Corporation’s past results of operations do not necessarily indicate First Federal Bancorp’s and Alpena Banking Corporation’s combined future results. You should not place undue reliance on any of the forward-looking statements, which speak only as of the dates on which they were made. Neither First Federal Bancorp nor Alpena Banking Corporation is undertaking an obligation to update these forward-looking statements, even though its situation may change in the future, except as required under federal securities law. Each of First Federal Bancorp and Alpena Banking Corporation qualifies all of its forward-looking statements by these cautionary statements.

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Unaudited Pro Forma combined consolidated financial information relating to the merger

The unaudited pro forma combined consolidated financial information has been prepared using the purchase method of accounting, giving effect to the proposed merger with Alpena Banking Corporation. The unaudited pro forma combined condensed consolidated statement of financial condition combines the historical financial information of First Federal Bancorp and Alpena Banking Corporation as of March 31, 2014 and assumes that the Merger was completed on that date. The unaudited pro forma combined consolidated statements of operations combine the historical financial information of First Federal Bancorp and Alpena Banking Corporation and give effect to the Merger as if it had been completed as of April 1, 2014. The unaudited pro forma combined consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial condition had the Merger been completed on the dates described above, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined entities. The financial information should be read in conjunction with the accompanying Notes to the Unaudited Pro Forma Combined Consolidated Financial Information. Certain reclassifications have been made to Alpena Banking Corporation's historical financial information in order to conform to First Federal Bancorp's presentation of financial information.

The pro forma financial information includes estimated adjustments, including adjustments to record assets and liabilities of Alpena Banking Corporation at their respective fair values and represents the pro forma estimates by First Federal Bancorp based on available fair value information as of the date of the Merger Agreement. In some cases, where noted, more recent information has been used to support estimated adjustments in the pro forma financial information.

The pro forma adjustments included herein are subject to change depending on changes in interest rates and the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price for the Merger will be determined after the Merger is completed and after completion of thorough analyses to determine the fair value of Alpena Banking Corporation's tangible and identifiable intangible assets and liabilities as of the date of the Merger. Increases or decreases in the estimated fair values of the net assets as compared with the information shown in the unaudited pro forma combined consolidated financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact First Federal Bancorp's statement of operations due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Alpena Banking Corporation's stockholders' equity, including results of operations from March 31, 2014 through the date that the Merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

First Federal Bancorp anticipates that the Merger will provide the combined company with financial benefits that include reduced operating expenses. Assuming the Merger is consummated in the 3<sup>rd</sup> quarter of 2014 and based on Alpena Banking Corporation's 2013 non-interest expense, First Federal Bancorp expects to realize cost savings in calendar 2015 approximating 36.0% of the anticipated non-interest expense of Alpena Banking Corporation. These cost savings are not included in these pro forma statements and there can be no assurance that expected cost savings

will be realized. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods.



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The unaudited pro forma combined consolidated financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of Alpena Banking Corporation which are contained in **Appendix D** and of the historical consolidated financial statements and the related notes of First Federal Bancorp which are contained in **Appendix E** and **Appendix F**.

**The unaudited pro forma stockholders' equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of First Federal Bancorp common stock or the actual or future results of operations of First Federal Bancorp for any period. Actual results may be materially different than the pro forma information presented.**

Table of Contents**First Federal Bancorp and Subsidiaries****Unaudited Pro Forma Combined Statements of Financial Condition****At March 31, 2014** <sup>(1)</sup>

	First Federal Bancorp Historical	Alpena Banking Corporation Historical	Pro Forma Adjustments	Pro Forma Combined	
(Dollars in thousands)					
<b>Assets</b>					
Cash and cash equivalents	\$2,868	\$ 331	\$ (219	) \$2,980	(A)
Overnight deposits with Federal Home Loan Bank	279	4,863	—	5,142	
Total cash and cash equivalents	3,147	5,194	(219	) 8,122	
Securities available for sale, at fair value	56,442	23,592	—	80,034	
Securities held to maturity	2,255	—	—	2,255	
Loans – net	135,326	37,283	759	173,368	(B)
	—	—	(1,900	) (1,900	(C)
	—	—	156	156	(D)
Loans held for sale	236	94	—	330	
Federal Home Loan Bank stock	3,266	157	—	3,423	
Property and equipment	5,160	2,774	(1,000	) 6,934	(E)
Foreclosed real estate	1,938	283	(100	) 2,121	(F)
Accrued interest receivable	828	247	—	1,075	
Intangible assets	10	—	984	994	(G)
Deferred tax asset	658	—	389	1,047	(H)
Originated mortgage servicing right – net	812	—	—	812	
Bank owned life insurance	4,639	—	—	4,639	
Other assets	550	271	—	821	
Total assets	\$215,267	\$ 69,895	\$ (931	) \$284,231	
<b>Liabilities and Stockholders' Equity</b>					
<b>Liabilities</b>					
Non-interest bearing deposits	21,724	14,840	—	36,564	
Interest-bearing deposits	143,996	47,833	42	191,871	(I)
Advances from Federal Home Loan	24,233	—	—	24,233	
REPO sweep accounts	—	—	—	—	
Accrued expenses and other liabilities	1,353	303	—	1,656	
Total liabilities	191,306	62,976	42	254,324	
<b>Stockholders' Equity</b>					
Common stock	32	5,337	(5,329	) 40	(J)
Additional paid-in capital	23,854	—	4,207	28,061	(J)
Retained earnings	2,927	1,680	(1,680	) 2,927	(J)

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	—	—	1,950	1,950	(K)
	—	—	(219	) (219	) (A)
Treasury stock at cost	(2,964	) —	—	(2,964	)
Accumulated other comprehensive (loss) income	112	(98	) 98	112	(J)
Total stockholders' equity	23,961	6,919	(973	) 29,907	
Total liabilities and stockholders' equity	\$215,267	\$ 69,895	\$ (931	) \$284,231	

Table of Contents**First Federal Bancorp and Subsidiaries****Unaudited Pro Forma Combined Statement of Income****For the Quarter Ended March 31, 2014 <sup>(1)</sup>**

	First Federal Bancorp Historical (Dollars in thousands)	Alpena Banking Corporation Historical	Pro Forma Adjustments	Pro Forma Combined	
Interest Income					
Loans, including fees	\$1,710	\$ 522	\$ (31 )	\$2,201	(L)
Investments:					
Securities available for sale	335	99		434	
Other		7		7	
Total interest income	2,045	628	(31 )	2,642	
Interest Expense					
Deposits	186	34	(42 )	178	(M)
Borrowings	63	—	—	63	
Total interest expense	249	34	(42 )	241	
Net Interest Income before provision for loan losses	1,796	594	11	2,401	
Provision for Loan Losses	16	—	—	16	
Net Interest Income after provision for loan losses	1,780	594	11	2,385	
Other Income					
Service charges and other fees	181	91	—	272	
Net loss on sale of real estate owned and other repossessed assets	(5 )	—		(5 )	
Insurance and brokerage commissions	96	—	—	96	
Other	64	—	—	64	
Total other income	336	91	—	427	
Operating Expenses					
Compensation and employee benefits	1,109	329	—	1,438	
FDIC insurance premiums	46	—	—	46	
Amortization of intangible assets	30	—	179	209	(N)
Advertising	28	—		28	
Occupancy and equipment	236	71	(50 )	257	(O)
Data processing service bureau	62	—		62	
Professional fees	129	—		129	
Collection activity	18	—		18	
Real estate owned & other repossessed assets	17	12		29	
Other	220	264	—	484	
Total operating expenses	1,895	676	129	2,700	
Income (loss) before income tax expense	221	9	(118 )	112	

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Income tax expense	—	—	—	38	(P)
Net income (loss)	\$221	\$ 9	\$ (118	) \$74	
Earnings per share					
Basic	\$0.08	\$ 0.02		\$0.02	
Diluted	\$0.08	\$ 0.02		\$0.02	
Average shares outstanding					
Basic	2,884,049	533,700		3,727,014	
Diluted	2,884,049	533,700		3,727,014	

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**NOTES TO THE UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION**

**Note 1 - Basis of Presentation**

The unaudited pro forma combined financial information has been prepared using the purchase method of accounting, giving effect to the Merger as if the transactions had occurred as of the beginning of the earliest period presented. The Merger will be a “reorganization” for federal income tax purposes, and First Federal Bancorp and Alpena Banking Corporation shareholders generally will not recognize, for federal income tax purposes, any gain or loss on the Merger, or the receipt of shares of First Federal Bancorp common stock for their shares of Alpena Banking Corporation.

The unaudited pro forma combined financial information is presented for illustrative purposes only and is not necessarily indicative of the results of operations or financial position had the Merger been consummated at April 1, 2014, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined entities. The Merger, which is currently expected to be completed in the third quarter of 2014, provides for the issuance of 1.549 shares of First Federal Bancorp’s common stock in exchange for each share of Alpena Banking Corporation’s common stock and is subject to approval of First Federal Bancorp’s and Alpena Banking Corporation’s shareholders and certain regulatory agencies.

The Merger will be accounted for as an acquisition by First Federal Bancorp using the purchase method of accounting. Accordingly, the assets and liabilities of Alpena Banking Corporation will be recorded at their respective fair values and the values used represent management’s estimates based on available information. The pro forma adjustments included herein are subject to change depending on changes in interest rates and the components of assets and liabilities, additional information that becomes available and additional analysis that is performed. The final allocation of the purchase price will be determined after the Merger is completed and after completion of thorough analysis to determine the fair value of Alpena Banking Corporation’s tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the estimated fair values of the net assets, commitments, executor contracts, and other items of Alpena Banking Corporation as compared with the information shown in the unaudited pro forma combined financial information may change the amount of the purchase price allocated to goodwill and other assets and may impact the statement of income due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Alpena Banking Corporation’s shareholders’ equity through the effective date of the Merger will also change the purchase price allocation, which may include the recording of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

The accounting policies of both First Federal Bancorp and Alpena Banking Corporation are also being reviewed. Upon completion of such review, conforming adjustments or financial statement reclassifications may be also determined.

**Note 2 - Purchase Price Allocation**

The pro forma adjustments include the purchase accounting entries to record the merger transaction. The deficit of the purchase price in comparison to the fair value of the assets acquired, net of deferred taxes, is recorded as a bargain purchase gain in the income statement. Estimated fair value adjustments included in the pro forma financial statements are based upon available information, and certain assumptions considered reasonable, and may be revised as additional information becomes available. For purposes of this pro forma analysis, fair value adjustments are amortized/accreted using a

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combination of straight-line and sum-of-the-years-digits methodologies over the estimated average remaining lives.

When actual amortization/accretion is recorded for periods following the merger closing, the level yield method will be used where appropriate. Tax expense related to the net fair value adjustments is calculated at the statutory 34% tax rate. The allocation of the purchase price is as follows:

## Purchase Price Allocation

*(in thousands, except share and per share amounts)*

Pro Forma Purchase Price	
Alpena Banking Corporation Outstanding Common Shares as of effective date of Merger	544,200
Share Conversion (1.549 Conversion factor)	1,549
Total pro forma shares	842,965
Price per share, based on First Federal Bancorp's price of \$5.00 at March 31, 2014	\$5.00
Total pro forma purchase price	\$4,215
Alpena Banking Corporation Net Assets at Fair Value	
Assets	
Cash and cash equivalents	5,194
Securities	23,749
Loans - net	36,392
Property and equipment	1,774
Foreclosed real estate	183
Intangible assets	984
Other assets	907
Total assets	\$69,183
Liabilities	
Deposits	\$62,715
Other liabilities	303
Total liabilities	\$63,018
Net assets	\$6,165
Preliminary bargain purchase gain	\$1,950

**Note 3 - Pro Forma Adjustments**

The following pro forma adjustments have been reflected in the unaudited pro forma condensed combined financial information. All fair value adjustments were calculated using a 34% tax rate to arrive at deferred tax asset or liability adjustments. All adjustments are based on current assumptions and valuations, which are subject to change.



Adjustment includes \$219,000 of after-tax expenses expected to be paid by Alpena Banking Corporation  
**Note A** - prior to the consummation of the Merger. First Federal Bancorp expects to incur pre-tax Merger related costs of approximately \$340,000 prior to and after the Merger is consummated, which are not reflected.

Elimination of Alpena Banking Corporation's allowance for loan losses. Purchased loans acquired in a  
**Note B** - business combination are recorded at fair value and the recorded allowance of the company acquired is not carried over.

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A fair value adjustment to total loans to reflect credit deterioration in Alpena Banking Corporation's loan portfolio in the amount of \$1.9 million which represents a mark of 5.08% on Bank of Alpena's outstanding loan portfolio. Individual loan files were reviewed extensively by management to determine an overall credit mark on outstanding loans. The management of Alpena Banking Corporation identified impaired loans of

**Note C** - \$2.7 million as of December 31, 2013. The loan file review performed by First Federal Bancorp confirmed that the population of impaired loans was complete. By definition, impaired loans of the target are classified as purchased credit impaired based on the guidance in ASC 310-30 and will be accounted for accordingly. The pro forma assumes that future losses would equal the credit mark so no adjustment has been made in future years.

A fair value adjustment to total loans reflect differences in interest rates in the amount of \$156,000, which was based primarily on an analysis of current market interest rates, credit spreads, loan types, maturity dates

**Note D** - and potential prepayments. The fair value adjustment will be amortized into loan interest income over the estimated lives of the affected loans using a level yield methodology. Further assumes the fair value would be recognized over a five-year period.

A fair value adjustment to Premises and Equipment reflects the fair market value of either acquired buildings

**Note E** - or buildings owned by First Federal Bancorp which it is expected will be consolidated and sold following consummation of the Merger.

A fair value adjustment to Other Real Estate Owned reflects the current market value of such properties

**Note F** - acquired from the Alpena Banking Corporation based on expected updated valuation data at the time of the closing of the Merger.

First Federal Bancorp's estimate of the fair value of the core deposit intangible asset (\$984,000) was estimated by using a discounted cash flow approach. This approach calculates the present value of Bank of

**Note G** - Alpena's core deposit expense compared to the expense associated with an alternative funding source over an expected estimated life. The core deposit intangible will be amortized into noninterest expense over a ten-year period using the sum-of-the-years digit methodology.

Adjustment of \$389,000 to reflect deferred tax assets associated with the adjustments to record the assets and

**Note H** - liabilities of Alpena Banking Corporation at fair value based on First Federal Bancorp's statutory tax rate of 34%.

A fair value adjustment to time deposits to reflect differences in interest rates in the amount of \$42,000, which was based primarily on an analysis of current market interest rates and maturity dates. The fair value

**Note I** - adjustment will be accreted into interest expense over the estimated lives of the affected time deposits using a level-yield methodology. Further assumes the fair value will be recognized over a one-year period.

**Note J** - Stockholders' equity was adjusted by a net \$2.704 million to reflect a \$4.215 million credit for the equity component of Merger consideration and \$6.919 million debit to eliminate historical equity of Alpena Banking

Corporation pursuant to ASC 805, thereby representing a conversion of all Alpena Banking Corporation's shares into First Federal Bancorp's common shares on a 1.549 conversion basis.

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Amount represents implied bargain purchase gain at the consummation of the Merger based on the difference  
**Note K** - in the fair value of equity received and the pro forma adjustments applied to the equity received by the stockholders of Alpena Banking Corporation.

Interest income on loans has been adjusted to reflect the amortization of the interest rate related fair value adjustment described in Note D. For the credit mark on the loan portfolio, further assumes that future losses  
**Note L** - would equal the credit mark, so no adjustment has been recognized in future periods. For the interest rate-related fair value adjustment on the loan portfolio, further assumes the fair value adjustment would be recognized over a five-year period.

**Note M** - Interest expense on deposits has been adjusted to reflect the amortization of the interest rate related fair value adjustment described Note I.

**Note N** - Amortization of intangible assets has been adjusted to reflect the amortization of the core deposit intangible asset described in Note G.

**Note O** - Occupancy and equipment has been adjusted to reflect the decrease in depreciation expense on premises and equipment described in Note E.

**Note P** - Income tax expense has been adjusted to reflect income statement related adjustments at an effective tax rate of 34%.

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The following table summarizes selected share and per share information about First Federal Bancorp and Alpena Banking Corporation giving effect to the Merger (which we refer to as “pro forma” information). The data in the table should be read together with the financial information and the financial statements of First Federal Bancorp and Alpena Banking Corporation included in this joint proxy statement/prospectus. The pro forma information is presented as an illustration only. The data do not necessarily indicate the combined financial position per share or combined results of operations per share that would have been reported if the Merger had occurred when indicated, nor are the data a forecast of the combined financial position or combined results of operations for any future period.

The information about book value per share and shares outstanding assumes that the Merger took place as of March 31, 2014 and is based on the assumptions set forth in the preceding unaudited pro forma combined consolidated statements of financial condition. The information about dividends and earnings per share assumes that the Merger took place as of April 1, 2014 and is based on the assumptions set forth in the preceding unaudited pro forma combined consolidated statements of operations. No pro forma adjustments have been included in these statements of operations which reflect potential effects of the Merger related to integration expenses, cost savings or operational synergies which are expected to be obtained by combining the operations of First Federal Bancorp and Alpena Banking Corporation, or the costs of combining the companies and their operations. It is further assumed that First Federal Bancorp will continue to pay a cash dividend after the completion of the Merger at the annual rate of \$0.08 per share. The actual payment of dividends is subject to numerous factors, and no assurance can be given that First Federal Bancorp will pay dividends following the completion of the Merger or that dividends will not be reduced in the future.

<b>(Stockholders' Equity in thousands)</b>	<b>First Federal Bancorp</b>	<b>Alpena Banking Corporation</b>	<b>First Federal Bancorp/Alpena Banking Corporation Pro Forma Combined</b>	<b>Alpena Banking Corporation Equivalent<sup>(3)</sup></b>
Book value per share:				
March 31, 2014	\$8.32	\$ 12.97	\$ 8.02	\$ 12.42
Cash dividends paid per common share:				
Quarter ended March 31, 2014	\$0.02	\$	\$ 0.02	(1) \$ 0.03
Basic earnings per share from continuing operations:				
Quarter ended March 31, 2014	\$0.08	\$ 0.02	\$ 0.02	\$ 0.02
Diluted earnings per share from continuing operations:				
Quarter ended March 31, 2014	\$0.08	\$ 0.02	\$ 0.02	(2) \$ 0.02
Shares outstanding:				
March 31, 2014	2,884,049	533,700	3,727,014	(2) (3) n/a

Stockholders' Equity				
March 31, 2014	\$23,961	\$ 6,919	\$ 29,907	\$ n/a

- (1) Pro forma dividends per share represent First Federal Bancorp's historical dividends per share.
- (2) Includes 10,500 restricted shares that will be issued to management of Alpena Banking Corporation at the effective time of the Merger.
- Pro forma shares are calculated by multiplying the historical amount of Alpena Banking Corporation by 1.549
- (3) exchange ratio and adding that product to the historical shares of First Federal Bancorp. The Alpena Banking Corporation Equivalent presentation adjusts for the exchange ratio.

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## MARKET PRICE AND DIVIDEND INFORMATION

First Federal Bancorp common stock is listed on the Nasdaq Capital Market under the symbol “FFNM.” Alpena Banking Corporation common stock is not listed on any exchange nor is it quoted on the OTC Bulletin Board. Accordingly there is no trading market for Alpena Banking Corporation’s common stock and there is corresponding high and low bid information for the common stock. There were no trades during 2012 and two trades in 2013. The average amount of shares traded was 300, and the average sale price was \$11.00 per share. Alpena Banking Corporation has not paid a dividend since its inception.

The following table lists the high and low prices per share for First Federal Bancorp common stock and the cash dividends declared by First Federal Bancorp for the periods indicated.

Quarter Ended	First Federal Bancorp		
	High	Low	Dividends
March 31, 2014	\$5.36	\$4.84	\$ 0.02
December 31, 2013	\$5.72	\$4.71	\$ 0.02
September 30, 2013	\$4.47	\$4.20	\$
June 30, 2013	\$4.65	\$3.40	\$
March 31, 2013	\$4.79	\$4.24	\$
December 31, 2012	\$5.00	\$3.94	\$
September 30, 2012	\$3.96	\$3.25	\$
June 30, 2012	\$4.03	\$3.30	\$

You should obtain current market quotations for First Federal Bancorp as the market price of First Federal Bancorp common stock will fluctuate between the date of this document and the date on which the Merger is completed, and thereafter.

As of March 31, 2014, there were approximately 600 holders of record of First Federal Bancorp common stock. As of March 31, 2014, there were 228 holders of record of Alpena Banking Corporation common stock. These numbers do not reflect the number of persons or entities who may hold their stock in nominee or “street name” through brokerage firms.

Following the Merger, the declaration of dividends will be at the discretion of First Federal Bancorp's board of directors and will be determined after consideration of various factors, including earnings, cash requirements, the financial condition of First Federal Bancorp, applicable state law and government regulations and other factors deemed relevant by First Federal Bancorp's board of directors.



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SPECIAL MEETING OF ALPENA BANKING CORPORATION STOCKHOLDERS

Date, Place, Time and Purpose

Alpena Banking Corporation's board of directors is sending you this document to request that you allow your shares of Alpena Banking Corporation to be represented at the special meeting by the persons named in the enclosed proxy card. At the special meeting, the Alpena Banking Corporation board of directors will ask you to vote on a proposal to approve the Merger Agreement. You may also be asked to vote to adjourn the special meeting if necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Merger Agreement. The special meeting will be held at Bank of Alpena located at 468 North Ripley Boulevard, Alpena, Michigan at \_\_\_\_\_ a.m., Eastern Time, on \_\_\_\_\_, 2014.

Who Can Vote at the Meeting

You are entitled to vote if the records of Alpena Banking Corporation showed that you held shares of Alpena Banking Corporation common stock as of the close of business on \_\_\_\_\_, 2014. As of the close of business on that date, a total of 533,700 shares of Alpena Banking Corporation common stock were outstanding. Each share of common stock has one vote. If you are a beneficial owner of shares of Alpena Banking Corporation common stock held by a broker, bank or other nominee (*i.e.*, in "street name") and you want to vote your shares in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

Quorum and Vote Required

The special meeting will conduct business only if a majority of the outstanding shares of Alpena Banking Corporation common stock entitled to vote is represented in person or by proxy at the meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares of Alpena Banking Corporation common stock for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

**Proposal 1: Approval of the Merger Agreement.** Approval of the Merger Agreement will require the affirmative vote of a majority of the outstanding shares of Alpena Banking Corporation common stock entitled to vote at the special meeting. Failure to return a properly executed proxy card or to vote in person will have the same effect as a vote against the Merger Agreement. Broker non-votes and abstentions from voting will have the same effect as voting against the Merger Agreement.

**Proposal 2: Adjourn the meeting if necessary or appropriate, including an adjournment to permit further solicitation of proxies in favor of the Merger.** The affirmative vote of the majority of votes cast is required to approve the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the Merger Agreement.

### **Shares Held by Alpena Banking Corporation Officers and Directors in Alpena Banking Corporation**

As of \_\_\_\_\_, 2014, directors and executive officers of Alpena Banking Corporation beneficially owned 164,500 shares of Alpena Banking Corporation common stock, which equals approximately 30.8% of the outstanding shares of Alpena Banking Corporation common stock. The

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directors and executive officers of Alpena Banking Corporation have agreed to vote their shares in favor of the Merger at the special meeting.

Voting and Revocability of Proxies

You may vote in person at the special meeting or by proxy. To ensure your representation at the special meeting, Alpena Banking Corporation recommends that you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting.

Alpena Banking Corporation stockholders whose shares are held in “street name” by their broker, bank or other nominee must follow the instructions provided by their broker, bank or other nominee to vote their shares. Your broker or bank may allow you to deliver your voting instructions via the telephone or the Internet.

Voting instructions are included on your proxy form. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the Merger Agreement and the proposal to adjourn the meeting. If you are the record holder of your shares of Alpena Banking Corporation common stock and submit your proxy without specifying a voting instruction, your shares of Alpena Banking Corporation common stock will be voted “FOR” the proposal to adopt the Merger Agreement and “FOR” the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the Merger Agreement. Alpena Banking Corporation’s board of directors recommends a vote “FOR” approval of the Merger Agreement and “FOR” approval of the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the Merger Agreement.

You may revoke your proxy before it is voted by:

- filing with Alpena Banking Corporation a duly executed revocation of proxy;
- submitting a new proxy with a later date; or
- voting in person at the special meeting.

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to:

Alpena Banking Corporation  
468 North Ripley Boulevard  
Alpena, Michigan 49707  
Attn: Craig A. Kus, President and Chief Executive Officer

If any matters not described in this document are properly presented at the special meeting, the persons named in the proxy card will use their own judgment to determine how to vote your shares. Alpena Banking Corporation does not know of any other matters to be presented at the meeting.

#### Solicitation of Proxies

Alpena Banking Corporation will pay for this proxy solicitation. Directors, officers and employees of Alpena Banking Corporation may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies.

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SPECIAL MEETING OF FIRST FEDERAL BANCORP STOCKHOLDERS

Date, Place, Time and Purpose

First Federal Bancorp's board of directors is sending you this document to request that you allow your shares of First Federal Bancorp to be represented at the special meeting by the persons named in the enclosed proxy card. At the special meeting, the First Federal Bancorp board of directors will ask you to vote on a proposal to approve the Merger Agreement. You may also be asked to vote to adjourn the special meeting if necessary to permit further solicitation of proxies if there are not sufficient votes at the time of the meeting to approve the Merger Agreement. The special meeting will be held at \_\_\_\_\_, Alpena, Michigan at \_\_\_\_\_ a.m., Eastern Time, on \_\_\_\_\_, 2014.

Who Can Vote at the Meeting

You are entitled to vote if the records of First Federal Bancorp showed that you held shares of First Federal Bancorp common stock as of the close of business on \_\_\_\_\_, 2014. As of the close of business on that date, a total of 2,884,049 shares of First Federal Bancorp common stock were outstanding. Each share of common stock has one vote. If you are a beneficial owner of shares of First Federal Bancorp common stock held by a broker, bank or other nominee (*i.e.*, in "street name") and you want to vote your shares in person at the meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

Quorum; Vote Required

The special meeting will conduct business only if a majority of the outstanding shares of First Federal Bancorp common stock entitled to vote is represented in person or by proxy at the meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares of First Federal Bancorp common stock for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

**Proposal 1: Approval of the Merger Agreement.** Approval of the Merger Agreement will require the affirmative vote of a majority of the outstanding shares of First Federal Bancorp common stock entitled to vote at the meeting.

Failure to return a properly executed proxy card or to vote in person will have the same effect as a vote against the Merger Agreement. Broker non-votes and abstentions from voting will have the same effect as voting against the Merger Agreement.

**Proposal 2: Adjourn the special meeting if necessary or appropriate, including an adjournment to permit further solicitation of proxies in favor of the Merger.** The affirmative vote of the majority of votes cast is required to approve the proposal to adjourn the special meeting if necessary to permit further solicitation of proxies on the proposal to approve the Merger Agreement.

### **Shares Held by First Federal Bancorp Officers and Directors and by First Federal Bancorp**

As of \_\_\_\_\_, 2014, directors and executive officers of First Federal Bancorp beneficially owned 334,990 shares of First Federal Bancorp common stock, including shares that may be acquired upon the exercise of stock options. This equals approximately 11.6% of the outstanding shares of First Federal Bancorp common stock. The directors and executive officers of First Federal Bancorp have agreed to vote their shares in favor of the Merger at the special meeting. As of the same date,

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Alpena Banking Corporation and its subsidiaries and its directors and executive officers did not own any shares of First Federal Bancorp common stock.

Voting and Revocability of Proxies

You may vote in person at the special meeting or by proxy. To ensure your representation at the special meeting, First Federal Bancorp recommends that you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the special meeting.

First Federal Bancorp stockholders whose shares are held in “street name” by their broker, bank or other nominee must follow the instructions provided by their broker, bank or other nominee to vote their shares. Your broker or bank may allow you to deliver your voting instructions via the telephone or the Internet.

Voting instructions are included on your proxy form. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the Merger Agreement and the proposal to adjourn the meeting. If you are the record holder of your shares of First Federal Bancorp common stock and submit your proxy without specifying a voting instruction, your shares of First Federal Bancorp common stock will be voted “FOR” the proposal to adopt the Merger Agreement and “FOR” the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the Merger Agreement. First Federal Bancorp’s board of directors recommends a vote “FOR” approval of the Merger Agreement and “FOR” approval of the proposal to adjourn the meeting if necessary to permit further solicitation of proxies on the proposal to approve the Merger Agreement.

You may revoke your proxy before it is voted by:

- filing with the Secretary of First Federal Bancorp a duly executed revocation of proxy;
- submitting a new proxy with a later date; or
- voting in person at the special meeting.

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to:

First Federal of Northern Michigan Bancorp, Inc.  
100 South Second Avenue  
Alpena, Michigan 49707  
Attention: Eileen M. Budnick, Corporate Secretary

If any matters not described in this document are properly presented at the special meeting, the persons named in the proxy card will use their own judgment to determine how to vote your shares. First Federal Bancorp does not know of any other matters to be presented at the special meeting.

#### Solicitation of Proxies

First Federal Bancorp will pay for this proxy solicitation. In addition to soliciting proxies by mail, Phoenix Advisory Partners, LLC, a proxy solicitation firm, will assist First Federal Bancorp in soliciting proxies for the special meeting. First Federal Bancorp will pay \$5,000, plus expenses, for these services.



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First Federal Bancorp will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions. Additionally, directors, officers and employees of First Federal Bancorp may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies.

## NO DISSENTERS' RIGHTS FOR ALPENA BANKING CORPORATION STOCKHOLDERS

Under the Michigan Business Corporation Act, stockholders of Alpena Banking Corporation common stock do not have dissenters' rights of appraisal in connection with the transactions contemplated by the Merger Agreement.

## DESCRIPTION OF THE MERGER

*The following summary of the Merger Agreement is qualified by reference to the complete text of the Merger Agreement. A copy of the Merger Agreement is attached as Appendix A to this joint proxy statement/prospectus. You should read the Merger Agreement completely and carefully as it, rather than this description, is the legal document that governs the Merger.*

### General

The Merger Agreement provides for the merger of Alpena Banking Corporation with and into First Federal Bancorp, with First Federal Bancorp as the surviving entity. Following the merger of Alpena Banking Corporation with and into First Federal Bancorp, First Federal Bancorp will merge Bank of Alpena with and into First Federal.

### Alpena Banking Corporation's Background of the Merger

Since its formation in 2001 the Alpena Banking Corporation board of directors has strategically planned for the growth and safety of Bank of Alpena. Those strategic options included strategies to increase Bank of Alpena's market share, market area and financial service offerings always with the intent of creating additional shareholder value consistent with its mission statement: "The Bank of Alpena will provide financial services to the Alpena and surrounding markets, through a well-managed, locally owned and directed community bank, in such a way as to establish and maintain lasting customer relationships, a successful operation for its shareholders, and a quality environment for its employees to grow."

The Alpena Banking Corporation board also identified impediments to future growth and profitability including the economic changes to its market, restricted access to capital, continued completion and an ever increasing cost to operate specifically related to the legislative and regulatory reaction to the recession which began in 2008.

The parties began informal exploratory conversations about a business combination in the summer of 2006, at which time the parties signed the initial confidentiality agreement. Based on those conversations, First Federal prepared a letter of intent indicating a range for the aggregate merger consideration and submitted it to Alpena Banking Corporation's board of directors, which considered the proposal and prepared a formal rejection letter which it delivered to First Federal on December 13, 2006. This letter effectively terminated all discussions of a business combination between the parties.

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The discussions of a business combination resumed in November 2009 with Mr. Tim Fitzpatrick, the chairman of Alpena Banking Corporation, inviting Mr. Michael Mahler, First Federal Bancorp's President and Chief Executive Officer, to begin an exploratory conversation regarding a possible business combination. In February 2010, First Federal submitted a letter to Messrs. Fitzpatrick and Richard Crittenden, an outside board member of Alpena Banking Corporation, indicating First Federal's interest in continuing to explore a business combination with Bank of Alpena. Later that month, Messrs. Fitzpatrick, Crittenden and Mahler met.

During February 2010, the parties reached agreement that the aggregate merger consideration would be determined by the respective tangible equity contributions of the parties on a *pro forma* basis. According to this formula and based upon their respective tangible equity accounts as of September 30, 2013 (\$6.818 million for Alpena Banking Corporation and \$23.780 million for First Federal Bancorp), the last quarter-end available information prior to the execution date of the Merger Agreement, on a *pro forma* basis, Alpena Banking Corporation was contributing approximately 22.3% of the combined tangible equity. Therefore First Federal Bancorp would issue that number of shares so that shareholders of Alpena Banking Corporation owned 22.3% of the outstanding shares of First Federal Bancorp on a post-Merger *pro forma* basis. Pursuant to this formula and the number of shares of Alpena Banking Corporation to be outstanding at the effective time of the Merger, it was determined that First Federal Bancorp would issue 842,965 shares of stock to the shareholders of Alpena Banking Corporation. Based upon the closing price of First Federal Bancorp stock as of June \_\_\_, 2014 (\$\_\_\_), the estimated total merger consideration is equal to \$\_\_\_\_\_. The actual value of the merger consideration to be paid to Alpena Banking Corporation shareholders will not be determined until the effective date of the Merger.

The parties signed a confidentiality agreement regarding the Merger on March 1, 2010, and the parties commenced due diligence based on publicly available data. On March 17, 2010 the parties discussed, via conference call, a merger-related analysis prepared by Austin Associates, First Federal Bancorp's financial advisor, representatives of which also participated on the call. Merger discussions then stalled in April 2010 as a result of Bank of Alpena having executed its Consent Order with the FDIC and the Michigan Department of Insurance and Financial Services ("DIFS").

In August 2011, Craig Kus, the President and Chief Executive Officer of Alpena Banking Corporation, along with Messrs. Fitzpatrick, Crittenden met with Messrs. Thomson and Mahler of First Federal Bancorp to discuss the respective parties' regulatory conditions and to re-introduce the possibility of the merger. Based on this meeting, the parties re-initiated merger discussions, which resulted in another confidentiality agreement being signed by the parties in September 2011.

In March 2012, First Federal indicated that its first examination by the OCC, the regulatory successor to the now-defunct Office of Thrift Supervision, was scheduled for July 2012 and that further discussion would be delayed until it received an indication from the OCC following completion of this examination. Subsequent to the completion of the OCC examination in August 2012, the parties periodically met throughout the Fall of 2012 and the early Winter of 2013.

The parties met and resumed dialogue regarding a potential merger transaction in March 2013. On April 17, 2013, the parties executed a non-binding letter of intent that outlined agreement on the material terms of a potential transaction and provided that the parties would enter into formal negotiations regarding a strategic merger of the two organizations. However, in May 2013, it was decided by the parties that, since both institutions were one month away from their next regulatory on-site examinations, the parties would wait for completion of these examination before continuing any further merger discussions.

First Federal's examination was conducted in July-August 2013, and First Federal received its report of examination in September 2013. Similarly, Bank of Alpena underwent an examination in the Summer of 2013 and received its report of examination in September 2013. Upon completion of these examinations and receipt of the reports of examination, the parties determined to re-initiate merger discussions and prepare for due diligence. Those negotiations, together with reciprocal due diligence, took place throughout the balance of 2013.

In August 2013 Alpena Banking Corporation retained RP Financial, LC., Arlington, Virginia, as its financial advisor to assist the board in the evaluation of the financial terms of a potential merger with First Federal Bancorp.

In October 2013, a draft of the Merger Agreement was provided by First Federal Bancorp to Alpena Banking Corporation for review and negotiation. During November of 2013 representatives of RP Financial, Alpena Banking Corporation's financial advisor, and Shumaker, Loop & Kendrick, LLP, legal counsel to Alpena Banking Corporation, held multiple conferences calls with Alpena Banking Corporation's President and CEO Craig Kus and its Board Chair Timothy Fitzpatrick to discuss the terms

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of the proposed Merger Agreement. RP Financial, Alpena Banking Corporation's financial advisor, and Shumaker, Loop & Kendrick, LLP, legal counsel to Alpena Banking Corporation, were actively involved in reviewing, drafting and negotiating the terms of the final Merger Agreement.

During the beginning of November 2013, members of Alpena Banking Corporation's executive management and board of directors' executive committee reviewed the draft Merger Agreement. Conference calls between the Company's advisors and its President and CEO and Board Chair resulted in a number of requested changes to the proposed Merger Agreement. On November 26, 2013, Alpena Banking Corporation's attorneys presented a marked version of the proposed Merger Agreement to First Federal Bancorp's attorneys for review. On December 9, 2013 a revised Merger Agreement was sent to Alpena Banking Corporation attorney's responsive to the issues and requested changes previously made by Alpena Banking Corporation. On December 10, 2013 a meeting took place between the respective executive management teams and Board Chairs of First Federal Bancorp and Alpena Banking Corporation and the final issues were negotiated, subject to the respective final review and approval of the full boards of directors of the parties. A further revised draft Merger Agreement was provided to Alpena Banking Corporation's attorneys on December 13, 2013. The full board of directors of Alpena Banking Corporation received a copy of a draft Merger Agreement on December 18, 2013.

On January 22, 2014, the boards of directors of Alpena Banking Corporation and Bank of Alpena met to consider and approve the Merger Agreement. After a presentation of the financial terms of the transaction by James Hennessey, a Director of RP Financial, Mr. Hennessey provided his oral opinion that the transaction was fair, from a financial point of view. The Merger Agreement was then reviewed in detail with the with the boards of directors of Alpena Banking Corporation and Bank of Alpena by Martin D. Werner, a partner of Shumaker, Loop & Kendrick, LLP ("Shumaker"). The boards of directors of Alpena Banking Corporation and Bank of Alpena approved the Merger Agreement on January 22, 2014. RP Financial issued its opinion in writing on January 23, 2014 to the Alpena Banking Corporation board of directors. The Merger Agreement was signed by the presidents of Alpena Banking Corporation and First Federal Bancorp on January 23, 2014 and the transaction was publicly announced on January 23, 2014.

**Recommendation of the Alpena Banking Corporation Board of Directors; Alpena Banking Corporation's Reasons for the Merger**

***Recommendation of the Alpena Banking Corporation Board of Directors***

The Alpena Banking Corporation board of directors unanimously adopted and approved the Merger Agreement and the Merger, determined that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable and in the best interests of Alpena Banking Corporation and its stockholders and recommended that Alpena Banking Corporation stockholders approve and adopt the Merger Agreement. In connection with the foregoing, the board considered the opinion of RP Financial, Alpena Banking Corporation's financial advisor, in making its recommendation. For more information on RP Financial's opinion, see the section of

this joint proxy statement/prospectus titled “ – Opinion of Alpena Banking Corporation’s Financial Advisor” beginning on page 39.

**The Alpena Banking Corporation board of directors unanimously recommends that you vote “FOR” approval of the Merger Agreement.**

***Reasons for the Merger***

The Alpena Banking Corporation board of directors, in reaching its determination, consulted with Alpena Banking Corporation’s senior management, RP Financial and Shumaker, its legal counsel, drew on its knowledge of Alpena Banking Corporation’s business, operations, properties, assets, financial

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condition, operating results, historical market prices and prospects, and considered the following factors in favor of the Merger, which are not presented in order of priority:

a review of the historical financial statements of Alpena Banking Corporation and First Federal Bancorp and certain other internal information, primarily financial in nature, relating to the respective businesses, earnings, and financial condition of Alpena Banking Corporation and First Federal Bancorp;

the respective business strategies of Alpena Banking Corporation and First Federal Bancorp, prospects for the future, including expected financial results, and expectations relating to the proposed Merger, based on discussions with management of Alpena Banking Corporation and First Federal Bancorp;

the geographic fit and increased customer convenience of the branch network of First Federal;

the compatibility of the banking cultures and business and management philosophies of Alpena Banking Corporation and First Federal Bancorp, particularly with respect to customer service and convenience, and the meeting of local banking needs;

the effect of the Merger on Alpena Banking Corporation customers and the communities served by Alpena Banking Corporation, including the effect of an increase in the legal lending limit available to borrowers of the combined bank by reason of the Merger;

the effect on Alpena Banking Corporation customers and the communities served by Alpena Banking Corporation of First Federal Bancorp's longstanding history of serving the customers and communities in Alpena County and the surrounding Counties;

the amount of the Merger consideration and the belief of the Alpena Banking Corporation board of directors that First Federal Bancorp common stock represents an investment in a well-capitalized institution which should result in long-term value and increased liquidity for Alpena Banking Corporation stockholders;

the fact that the Merger consideration is expected to be tax-free to Alpena Banking Corporation stockholders to the extent that they receive First Federal Bancorp common stock in exchange for their shares of Alpena Banking Corporation common stock;

the fact that even though Alpena Banking Corporation no longer will exist as an independent, stand-alone company, Alpena Banking Corporation stockholders will participate in the growth of First Federal Bancorp and in any synergies resulting from the Merger and retain the potential to receive an additional market premium if at some future time First Federal Bancorp is acquired;

the dividend paid by First Federal Bancorp;

the fact that the Merger Agreement and the transactions contemplated thereby were the product of arms' length negotiations between representatives of Alpena Banking Corporation and representatives of First Federal Bancorp;



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the presentation of RP Financial (including the assumptions and methodologies underlying the analyses in connection therewith) and the opinion of RP Financial to Alpena Banking Corporation's board dated January 23, 2014, a copy of which is attached to this joint proxy statement/prospectus as **Appendix B** and which you should read carefully in its entirety, which expresses RP Financial's view that, as of January 23, 2014, and based on and subject to the factors, limitations and assumptions set forth in its opinion, the Merger consideration was fair, from a financial point of view, to holders of Alpena Banking Corporation common stock;

the anticipated effect of the acquisition on Alpena Banking Corporation employees (including the fact that Alpena Banking Corporation employees who do not continue as employees of First Federal Bancorp or First Federal of Northern Michigan will be entitled to receive severance benefits);

the terms and conditions of the Merger Agreement, including:

the Alpena Banking Corporation board of directors' belief that the termination fee payable to First Federal Bancorp was reasonable in the context of termination fees that were payable in other comparable transactions and likely would not preclude another party from making a competing proposal;

the likelihood that the Merger will be consummated in light of the conditions to First Federal Bancorp's obligation to consummate the merger;

the fact that approval and adoption of the Merger Agreement would require the affirmative vote of the holders of a majority of the shares of each of Alpena Banking Corporation common stock and First Federal Bancorp common stock entitled to vote on the proposals to approve the Merger;

a review of the risks and prospects of Alpena Banking Corporation remaining independent, including the increase in the cost of regulatory compliance as a consequence of the Dodd-Frank Wall Street Reform and Consumer Protection Act that was enacted on July 21, 2010, and the regulations that have been and continue to be adopted pursuant to that Act;

the fact that four directors of Alpena Banking Corporation designated by First Federal Bancorp will, at the effective time of the Merger, become directors of First Federal Bancorp; and

the fact that First Federal Bancorp intends to keep open Bank of Alpena's office as a branch office of First Federal and close First Federal's existing Ripley Boulevard branch office.

The Alpena Banking Corporation board of directors also was aware that all Alpena Banking Corporation directors and executive officers, who collectively owned 164,500 shares of Alpena Banking Corporation common stock, would enter into voting agreements with First Federal Bancorp contemporaneously with the execution of the Merger Agreement and that pursuant to such voting agreements, Alpena Banking Corporation's directors and executive

officers would agree to vote the shares held by them in favor of the approval and adoption of the Merger Agreement. The Alpena Banking Corporation board of directors understood that such voting agreements were a condition to First

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Federal Bancorp entering into the Merger Agreement and such voting agreements will terminate in the event that the Merger Agreement is terminated in accordance with its terms.

In the course of the Alpena Banking Corporation board of directors' deliberations, it also considered a variety of risks and other countervailing factors, including:

the risks and costs to Alpena Banking Corporation if the Merger is not completed, including:

the diversion of management and employee attention, potential employee attrition and the resulting effect on Alpena Banking Corporation's customers and business relationships; and

the market price of Alpena Banking Corporation common stock, as the market price could be affected by many factors, including (1) the reason or reasons for which the Merger Agreement was terminated and whether such termination resulted from factors adversely affecting Alpena Banking Corporation; (2) Alpena Banking Corporation's then current operating and financial results, which could be variable; and (3) the possibility that, as a result of the termination of the Merger Agreement, the marketplace would consider Alpena Banking Corporation to be an unattractive acquisition candidate;

the fact that the Merger consideration, consisting entirely of shares of First Federal Bancorp common stock (other than cash paid in lieu of partial shares), provides less certainty of value to Alpena Banking Corporation stockholders compared to a transaction in which they would receive only cash consideration;

the fact that Alpena Banking Corporation would be obligated to pay a \$200,000 termination fee, or, if greater, reimbursement of actual expenses incurred by First Federal Bancorp up to \$400,000 in order to terminate the Merger Agreement to pursue a Superior Proposal;

the fact that generally the receipt of First Federal Bancorp common stock in exchange for Alpena Banking Corporation stock as the Merger consideration will be tax-free to Alpena Banking Corporation stockholders; and

the interests of Alpena Banking Corporation's officers and directors in the Merger described in the section of this joint proxy statement/prospectus titled "Interests of Certain Persons in the Merger that are Different from Yours" beginning on page 62.

The foregoing discussion of the factors considered by the Alpena Banking Corporation board of directors is not intended to be exhaustive, but does set forth the principal factors considered by Alpena Banking Corporation's board of directors. The Alpena Banking Corporation board of directors collectively reached the unanimous conclusion to adopt the Merger Agreement and approve the Merger in light of the various factors described above and other factors

that each member of the Alpena Banking Corporation board of directors determined was appropriate. In view of the wide variety of factors considered by the Alpena Banking Corporation board of directors in connection with its evaluation of the Merger and the complexity of those matters, the Alpena Banking Corporation board of directors did not consider it practical, and therefore did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision. Rather, the Alpena Banking Corporation

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board of directors is making its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual Alpena Banking Corporation directors may have given different weights to different factors.

Opinion of Alpena Banking Corporation's Financial Advisor

*Throughout this section entitled "Opinion of Alpena Banking Corporation's Financial Advisor" references to "we," "our" or "us" refer to RP Financial, LC.*

Alpena Banking Corporation retained RP<sup>®</sup> Financial, LC. ("RP Financial") in September 2013 to render an opinion regarding fairness with respect to the merger consideration to be received by Alpena Banking Corporation stockholders in the Merger. Prior to this engagement, RP Financial had never performed any services, had any material relationship with or received any fees from Alpena Banking Corporation. In engaging RP Financial for its opinion as to the fairness of the merger consideration to be received, the Alpena Banking Corporation board of directors did not give any special instructions to RP Financial, nor did it impose any limitations upon the scope of the investigation that RP Financial wished to conduct to enable it to give its opinion. RP Financial has delivered to Alpena Banking Corporation its written opinion, dated January 23, 2014, to the effect that, based upon and subject to the matters set forth therein, as of that date, the merger consideration to be received in connection with the Merger with First Federal Bancorp was fair to the Alpena Banking Corporation stockholders from a financial point of view. The opinion of RP Financial is directed toward the consideration to be received by all Alpena Banking Corporation stockholders and does not constitute a recommendation to any Alpena Banking Corporation stockholder to vote in favor of approval of the Merger Agreement. A copy of the RP Financial opinion is set forth as **Appendix B** to this joint proxy statement/prospectus, and Alpena Banking Corporation stockholders should read it in its entirety. RP Financial has consented to the inclusion and description of its written opinion in this joint proxy statement/prospectus.

RP Financial was selected by Alpena Banking Corporation to provide an opinion regarding fairness because of RP Financial's expertise in the valuation of financial institutions and their securities for a variety of purposes, including its expertise in connection with mergers and acquisitions of financial institutions and their holding companies, including transactions in the Midwest region of the United States. Pursuant to a letter agreement dated August 15, 2013, and executed October 1, 2013, by and between RP Financial and Alpena Banking Corporation (the "RP Engagement Letter"), RP Financial estimates that it will receive from Alpena Banking Corporation total professional fees of approximately \$50,000 plus reimbursement of certain out-of-pocket expenses, for its fairness opinion services in connection with the Merger.

In addition, Alpena Banking Corporation has agreed to indemnify and hold harmless RP Financial, any affiliates of RP Financial, and the respective directors, officers, agents and employees of RP Financial or their successors and assigns who act for or on behalf of RP Financial in connection with the services called for under the RP Engagement Letter, from and against any and all losses, claims, damages and liabilities, including, but not limited to, all losses and

expenses in connection with claims under the federal securities laws, actually incurred by RP Financial and attributable to: (i) any untrue statement of a material fact contained in the financial statements or other information furnished or otherwise provided by an authorized officer of Alpena Banking Corporation to RP Financial; (ii) the omission of a material fact from the financial statements or other information furnished or otherwise made available by an authorized officer of Alpena Banking Corporation to RP Financial, or (iii) any action or omission to act by Alpena Banking Corporation, or Alpena Banking Corporation's respective officers, directors, employees or agents, which action or omission is willful. Notwithstanding the foregoing, Alpena Banking Corporation will be under no obligation to indemnify RP Financial hereunder

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if a court determines that RP Financial was negligent or acted in bad faith or willfully with respect to any actions or omissions of RP Financial related to a matter for which indemnification is sought.

In addition, if RP Financial is entitled to indemnification from Alpena Banking Corporation under the RP Financial Engagement Letter, and in connection therewith incurs legal expenses in defending any legal action challenging the opinion of RP Financial where RP Financial is not negligent or otherwise at fault or is found by a court of law to be not negligent or otherwise at fault, Alpena Banking Corporation will indemnify RP Financial for all reasonable expenses.

In rendering its opinion, RP Financial reviewed the following material and/or conducted the following analyses with respect to the Agreement and Alpena Banking Corporation:

The Merger Agreement, as reviewed and approved by the Alpena Banking Corporation as of January 23, 2014, including exhibits;

The following financial information for Alpena Banking Corporation: (a) audited consolidated financial statements included in the annual reports for the years ended December 31, 2010 through December 31, 2012; (b) unaudited consolidated financial data, including stockholder reports and financial statements through September 30, 2013, and (c) unaudited draft consolidated financial data through November 30, 2013; quarterly financial reports submitted to the FDIC by Bank of Alpena through September 30, 2013; (d) internal financial and other reports from the beginning of 2012 through September 30, 2013 with regard to current and projected balance sheet and off-balance sheet composition, profitability, interest rates, volumes, maturities, market values, trends, credit risk, interest rate risk, liquidity risk and operations; and (d) historical publicly available financial information as published by SNL Financial, Inc.;

Internally prepared budget information for Alpena Banking Corporation;

The financial terms of other recently completed and pending acquisitions of regional banks and thrifts with similar characteristics as Alpena Banking Corporation;

The financial terms of other recently completed and pending acquisitions of small banks and thrifts where the transaction consideration was all stock and the acquirers stock was priced similarly to First Federal Bancorp from a tangible book value perspective;

The estimated pro forma financial benefits of the Merger to Alpena Banking Corporation stockholders; and

Board and management interviews at Alpena Banking Corporation to gain a more complete understanding of the institution and the decisions that led to the Merger;

In addition, in rendering its opinion, RP Financial reviewed the following material and/or conducted the following analyses with respect to First Federal Bancorp:

The following financial information for First Federal Bancorp: (a) the annual audited financial statements for the year ended December 31, 2012, as presented in 10-K filings; (b) September 30, 2013 financial information contained in the 10-Q; (c) unaudited consolidated financial data, including stockholder reports and financial statements through September 30, 2013 and; (d) unaudited draft consolidated financial data through November 30, 2013; (e) quarterly financial reports submitted to the FDIC by First Federal through



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September 30, 2013; (f) internal financial and other reports from the beginning of 2012 through September 30, 2013 with regard to current and projected balance sheet and off-balance sheet composition, profitability, interest rates, volumes, maturities, market values, trends, credit risk, interest rate risk, liquidity risk and operations; and (g) historical publicly available financial information as published by SNL Financial, Inc.;

· Internally prepared budget information for First Federal Bancorp;

· Stock price history for First Federal Bancorp during the past twelve months;

· First Federal Bancorp financial information versus a peer group of comparable publicly-traded institutions; and

· Management interviews at First Federal Bancorp to gain a more complete understanding of the institution and the post-Merger operations and business plan.

In rendering its opinion, RP Financial relied, without independent verification, on the accuracy and completeness of the information concerning Alpena Banking Corporation and First Federal Bancorp furnished by the respective institutions to RP Financial for review for purposes of its opinion, as well as publicly available information regarding other financial institutions and competitive, economic and demographic data. RP Financial further relied on the assurances of management of both institutions that they were not aware of any facts or circumstances that would make any such information inaccurate or misleading. RP Financial was not asked to and did not independently verify any of the information provided and did not assume any responsibility or liability for the accuracy or completeness thereof. Alpena Banking Corporation and First Federal Bancorp did not restrict RP Financial as to the material it was permitted to review. RP Financial did not perform or obtain any independent appraisals or evaluations of the assets and liabilities, the collateral securing the assets or the liabilities (contingent or otherwise) of Alpena Banking Corporation or First Federal Bancorp or the collectability of any such assets. RP Financial did not make an independent evaluation of the adequacy of the allowance for loan losses of Alpena Banking Corporation or First Federal Bancorp nor did RP Financial review any individual credit files relating to Alpena Banking Corporation or First Federal Bancorp.

With respect to such estimates and projections of transaction costs, purchase accounting adjustments, expected cost savings and other synergies and other information prepared by and/or discussed with First Federal Bancorp's management and used by RP Financial in its analyses, RP Financial assumed that such estimates reflected the best currently available estimates and judgments of First Federal Bancorp's management of the respective future financial performances of First Federal Bancorp and Alpena Banking Corporation, and RP Financial assumed that such performances would be achieved. RP Financial expresses no opinion as to such estimates or projections or the assumptions on which they are based.

RP Financial, with Alpena Banking Corporation's consent, has relied upon the advice Alpena Banking Corporation received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and other transactions contemplated by the merger agreement. In rendering its opinion, RP Financial assumed that, in the course of obtaining the necessary regulatory and governmental approvals for the proposed merger, no restriction would be imposed on First Federal Bancorp that would have a material adverse effect on the ability of the merger to be consummated as set forth in the merger agreement. RP Financial also assumed that there was no material change in Alpena Banking Corporation's or First Federal Bancorp's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to RP

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Financial. RP Financial assumed in all respects material to the analyses, that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the merger agreement are not waived.

RP Financial's opinion was based solely upon the information available to it and the economic, market and other circumstances as they existed as of January 23, 2014. Events occurring after January 23, 2014 could materially affect the assumptions used in preparing the opinion. In connection with rendering its opinion dated January 23, 2014, RP Financial performed a variety of financial analyses that are summarized below. Although the evaluation of the fairness, from a financial point of view, of the merger consideration was to some extent subjective based on the experience and judgment of RP Financial and not merely the result of mathematical analyses of financial data, RP Financial relied, in part, on the financial analyses summarized below in its determinations. The preparation of a fairness opinion is a complex process and RP Financial believes its analyses must be considered as a whole. Selecting portions of such analyses and factors considered by RP Financial without considering all such analyses and other factors could create an incomplete view of the process underlying RP Financial's opinion. In its analyses, RP Financial took into account its assessment of general business, market, monetary, financial and economic conditions, industry performance and other matters, many of which are beyond the control of Alpena Banking Corporation and First Federal Bancorp, as well as RP Financial's experience in securities valuation, its knowledge of financial institutions, its knowledge of the current operating and M&A environments for financial institutions, and its experience in similar transactions. With respect to the comparable transactions analysis described below, no public company utilized as a comparison is identical to Alpena Banking Corporation and such analyses necessarily involve complex considerations and judgments concerning the differences in financial and operating characteristics of the companies and other factors that could affect the acquisition values of the companies concerned. The analyses were prepared solely for purposes of RP Financial providing its opinion as to the fairness of the merger consideration, and they do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Any estimates contained in RP Financial's analyses are not necessarily indicative of future results of values, which may be significantly more or less favorable than such estimates.

Comparable Transactions Analysis. RP Financial compared the Merger on the basis of the multiples or ratios of reported earnings, tangible book value and tangible book premium to core deposits to three selected comparable groups of completed and pending bank and/or thrift mergers and acquisitions. The first comparable group consisted of all acquisitions of commercial banks, commercial bank holding companies, savings institutions, or thrift holding companies in the located in the Midwestern states of Michigan, Minnesota and Wisconsin that were announced between January 1, 2011 and December 31, 2013, where the institution being acquired reported assets less than \$1.0 billion (the "Michigan, Minnesota and Wisconsin Group"). There were a total of 14 transactions included in the Group as follows:

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<b>Acquirer</b>	<b>Headquarters State</b>	<b>Seller</b>	<b>Headquarters State</b>
Horizon Bancorp	IN	SCB Bancorp, Inc.	MI
Mahnomen Bancshares, Inc.	MN	First Financial Bank	MN
Nicolet Bankshares, Inc.	WI	Mid-Wisconsin Financial Services, Inc.	WI
Centra Ventures, Inc.	MN	Richmond Bank Holding Company	MN
Greenwoods Financial Group, Inc.	WI	Bank of Monticello	WI
Frandsen Financial Corporation	MN	Clinton Bancshares, Inc.	MN
Heartland Financial USA, Inc.	IA	First Shares, Inc.	WI
Investor Group	MI	Bank of Michigan	MI
PSB Holdings, Inc.	WI	Marathon State Bank	WI
MinnDak Bancshares, Inc.	MN	Kent Bancshares, Inc.	MN
Perham State Bancshares, Inc.	MN	Farmers State Bank of Dent	MN
Golden Oak Bancshares, Inc.	WI	Park Bank	WI
Goodenow Bancorporation	IA	Farmers State Bank of Sherburn	MN
Finlayson Bancshares, Incorporated	MN	First National Bank of the North	MN

The second comparable group consisted of all acquisitions of commercial banks, commercial bank holding companies, savings institutions, or thrift holding companies in Midwest region of the U.S. that were announced between January 1, 2011 and December 31, 2013, where the institution being acquired reported assets less than \$250 million, non-performing assets to total assets (“NPAs/Assets) greater than 2.0%, and return on average assets (“ROAA”) measures between negative 75 basis points and positive 75 basis points (the “Midwest Group”). There were a total of 14 transactions included in the Group as follows:

<b>Acquirer</b>	<b>Headquarters State</b>	<b>Seller</b>	<b>Headquarters State</b>
German American Bancorp, Inc.	IN	United Commerce Bancorp	IN
Peoples Bancorp Inc.	OH	Ohio Commerce Bank	OH
Croghan Bancshares, Inc.	OH	Indebancorp	OH
Greenwoods Financial Group, Inc.	WI	Bank of Monticello	WI
First Community Financial Partners, Inc.	IL	First Community Bank of Homer Glen & Lockport	IL

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Investor Group	MI	Bank of Michigan	MI
Ohio Farmers Insurance Company	OH	Western Reserve Bancorp, Inc.	OH
Investor Group	NA	First Bancshares, Inc.	KS
Horizon Bancorp	IN	Heartland Bancshares, Inc.	IN
Perham State Bancshares, Inc.	MN	Farmers State Bank of Dent	MN
First Farmers Financial Corporation	IN	First Citizens of Paris, Inc.	IL
River Valley Bancorp	IN	Dupont State Bank	IN
Kentucky First Federal Bancorp	KY	CKF Bancorp, Inc.	KY
Finlayson Bancshares, Incorporated	MN	First National Bank of the North	MN

The third comparable group consisted of all acquisitions of commercial banks, commercial bank holding companies, savings institutions, or thrift holding companies in the U.S. that were announced between January 1, 2011 and December 31, 2013, where the form of merger consideration consisted solely of the acquirer's common stock and where the acquirer's Price/Tangible Book ratio, based on the closing price of the acquirer's stock as of the day of announcement was less than 100% ("All Stock Transaction Group"). There were a total of 5 transactions as follows:

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<b>Acquirer</b>	<b>Headquarters State</b>	<b>Seller</b>	<b>Headquarters State</b>
First Community Financial Partners, Inc.	IL	First Community Bank of Plainfield	IL
First Community Financial Partners, Inc.	IL	Burr Ridge Bank and Trust	IL
First Community Financial Partners, Inc.	IL	First Community Bank of Homer Glen & Lockport	IL
First Bank	NJ	Heritage Community Bank	NJ
New Century Bancorp, Inc.	NC	Select Bancorp, Inc.	NC

RP Financial evaluated acquisition pricing multiples or ratios at announcement for the acquisition targets included in the selected comparable groups and compared that data relative to the Alpena Banking Corporation financial data and pricing multiples or ratios at acquisition announcement based on the proposed merger with First Federal Bancorp. In conducting these comparative analyses, RP Financial considered the average and median data points of each comparable group to Alpena Banking Corporation.

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The following table summarizes Alpena Banking Corporation's performance relative to that of the comparable groups:

**Alpena Banking Corporation Financial Performance Versus Comparable Transactions Groups**

	No. of Deals (#)	Total Assets (\$000)	Tang. Equity/ Assets (%)	Return on Average Assets (%)	Equity (%)	NPAs/ Assets (%)	Res. Coverage/ NPLs(3) (%)
Alpena Banking Corporation (1)		\$ 73,234	9.32	0.12	1.30	4.93	21.63
Comparable Transactions Peer Group (2)							
<u>Michigan, Minnesota and Wisconsin Group</u>							
Average	14	\$ 98,204	11.33	0.50	3.85	2.48	95.69
Median	14	72,469	10.84	0.44	3.55	2.28	46.37
<u>Midwest Group</u>							
Average	14	\$ 124,151	9.74	0.35	3.54	4.00	54.21
Median	14	97,108	9.92	0.41	4.21	3.81	51.03
All Stock Transaction Group							
Average	5	\$ 161,507	10.28	0.10	(1.14 )	3.90	124.20
Median	5	146,259	10.79	0.77	6.63	4.70	60.30

(1) Alpena Banking Corporation data as of or for the 12 months ended November 30, 2013.

(2) Peer Group data is as or for the most recent twelve month period prior to announcement as reported by SNL Financial, LC.

(3) Reflects allowance for loan and lease losses divided by non-performing loans ("NPLs").  
 NM Not meaningful

Alpena Banking Corporation's merger pricing ratio relative to trailing 12 month earnings through November 30, 2013 was 48.60x, which was generally above the range of ratios recorded by the comparable group. Alpena Banking Corporation's merger pricing ratios relative to book value and tangible book value (63.56% for each) was at the lower end of the range of ratios of each of the banks and thrifts included in the comparable group. Alpena Banking Corporation's tangible book value premium/core deposits ratio was not meaningful and thus was not used a basis for comparison.





Table of Contents**Alpena Banking Corporation Merger Pricing Versus Comparable Transaction Groups**

	<b>No. of Deals (#)</b>	<b>P/TB (%)</b>	<b>P/E (x)</b>	<b>TBV Premium/ Core Deposits (%)</b>
Alpena Banking Corporation (1)		63.56	48.60	NM
Comparable Transactions Peer Group (2)				
1. <u>Michigan, Minnesota and Wisconsin Group</u>				
Average	14	105.94	21.28	1.46
Median	14	107.04	15.80	0.85
2. <u>Midwest Group</u>				
Average	14	106.97	27.44	0.71
Median	14	105.04	18.63	0.45
3. <u>All Stock Transaction Group</u>				
Average	5	83.80	10.40	NM
Median	5	71.40	11.80	NM

(1) Alpena Banking Corporation data as of or for the 12 months ended November 30, 2013.

(2) Peer Group data is as or for the most recent twelve month period prior to announcement as reported by SNL Financial, LC.

NM

Not meaningful

RP Financial's fairness analysis under the comparable transaction approach took into consideration Alpena Banking Corporation's lower earnings in terms of the return on average assets and return on average equity measures as well as its higher NPA/assets and lower reserve coverage in relation to non-performing loans. Also considered were Bank of Alpena's asset size, its Memorandum of Understanding with the FDIC and the Michigan Department of Insurance and Financial Services ("DIFS") including the requirements that the Bank of Alpena maintain a 9% Tier 1 leverage ratio and an 11% total risk-based capital ratio. Furthermore, RP Financial considered the current banking regulatory environment and the cost and ability of the Bank of Alpena to comply with the Memorandum of Understanding and applicable banking regulations. In addition to the foregoing, RP Financial considered that the merger consideration paid to the Alpena Banking Corporation stockholders in connection with the transaction would consist of the stock of First Federal Bancorp, and the pricing of First Federal Bancorp's stock on a pro forma basis in the public markets.

Discounted Cash Flow Analysis. RP Financial evaluated the value per share of the current offer to the implied value of Bank of Alpena's current business plan. Using Alpena Banking Corporation's 2014 budget data as a base, RP Financial extrapolated projected asset growth and profitability to 5 years assuming: (1) annual asset growth of 2%; and (2) return on average assets increase by 5% annually, to equal 0.40% by the end of 2018. RP Financial assumed a Year 5 terminal value based on assumed acquisition premiums 5 years from today. No interim cash flows (dividends)

were assumed given the projected earnings level and the relatively high capital levels required to be maintained under the regulatory Memorandum of Understanding. We discounted the future cash flows associated with an assumed sale of Bank of Alpena at Year 5 back to present value at a risk-adjusted discount rate approximating the Alpena Banking Corporation cost of capital, as calculated using the Capital Asset Pricing Model which we estimated to equal 20%. The terminal value estimated after five years in 2018 assumes a sale of Alpena Banking Corporation based on a range of projected Price/Earnings multiples (16.2 times to 19.8 times) and Price/Tangible Book Value ratios (90% to 110%). The present per share value generated by the DCF under these assumptions ranged from \$3.87 per share to \$6.81 per share, when compared to the proposed transaction value of \$8.13 per share (based on First Federal Bancorp's

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closing stock price for the ten trading day through December 31, 2013, and the Exchange Ratio) supported the fairness conclusion.

Pro Forma Impact Analysis. Since the merger consideration consists solely of First Federal Bancorp's common stock, RP Financial considered the estimated pro forma impact of the Merger on First Federal Bancorp's financial condition, operating results and stock pricing ratios. Specifically, RP Financial considered that the Merger: (a) is anticipated to be accretive to First Federal Bancorp's pro forma earnings per share within the first year of completing the Merger, assuming incorporation of certain anticipated merger synergies and core earnings estimates for Alpena Banking Corporation; (b) will increase First Federal Bancorp's market capitalization and shares outstanding; and (c) will increase First Federal Bancorp's stock liquidity. Furthermore, RP Financial considered the increased asset size, competitive profile and geographic footprint of First Federal Bancorp on a pro forma basis. RP Financial considered the pro forma impact of the Merger on First Federal Bancorp's per share data and pricing ratios based on First Federal Bancorp's pre-announcement trading price. RP Financial also considered other benefits of the Merger to Alpena Banking Corporation stockholders, including the potential for increased liquidity of the stock for Alpena Banking Corporation's stockholders given First Federal Bancorp's larger size, greater market capitalization and greater number of shares outstanding, and listing on the NASDAQ, whereas the trading market for Alpena Banking Corporation's common stock has historically been very limited. Moreover, RP Financial considered the enhanced ability to pursue growth within the expanded market area and expanded management team. In comparing the pro forma impact of the Merger, RP Financial also took into consideration that following the Merger, Alpena Banking Corporation stockholders will own approximately 22% of the common stock in First Federal Bancorp, and that 4 directors of Alpena Banking Corporation will serve on the 9 member board of directors following the closing of the Merger. Furthermore, RP Financial considered the pro forma balance sheet impact of the Merger assuming a number of purchase accounting adjustments that could reasonably be applied to certain of Alpena Banking Corporation's assets to determine the pro forma GAAP and regulatory capital position of First Federal Bancorp. Finally, RP Financial considered the pro forma earnings impact of the Merger to First Federal Bancorp including the potential impact of various cost savings and revenue enhancements which are projected to be realized on a post-Merger basis by First Federal Bancorp.

In addition to the above analyses, RP Financial considered and evaluated the operating history of Alpena Banking Corporation, the historical trading activity and trading price of the Alpena Banking Corporation common stock, the national, regional and local risks that could negatively impact future operations on a stand-alone basis. Additionally, RP Financial considered the current regulatory environment including the Memorandum of Understanding executed by Bank of Alpena with the FDIC and the DIFS, including the factors that may impact Bank of Alpena to comply with this regulatory agreement and the various risk and sanctions which may be imposed in the event that Bank of Alpena is unable to comply with the Memorandum of Understanding in the future. RP Financial's opinion and presentation to the Alpena Banking Corporation board of directors was one of many factors taken into consideration by the Alpena Banking Corporation Board in making its determination to approve the Merger Agreement. Although the foregoing summary describes the material components of the analyses presented by RP Financial to the Alpena Banking Corporation board of directors in anticipation of issuing the January 23, 2014, opinion, it does not purport to be a complete description of all the analyses performed by RP Financial and is qualified by reference to the written opinion of RP Financial set forth as **Appendix B**, which stockholders of Alpena Banking Corporation are urged to read in its entirety.

These analyses do not purport to be indicative of actual values or expected values or an appraisal range of the shares of Alpena Banking Corporation common stock. The discounted cash flow analysis is a widely used valuation methodology, but RP Financial noted that it relies on numerous assumptions, including future earnings levels, terminal values and discount rates, the future values of which may be

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significantly more or less than such assumptions. Any variation from these assumptions would likely produce different results.

First Federal Bancorp's Background of the Merger

In its ongoing efforts to strengthen its business and improve its operations and financial performance in order to create value for its stockholders, the boards of directors of First Federal Bancorp and First Federal review First Federal's financial performance, risks, opportunities and strategy as part of regular monthly board meetings. As part of this evaluation and analysis, the boards regularly assess First Federal's strategy and opportunities to achieve profitable growth through various strategic initiatives and transactions, giving consideration to the context of developments in the industry, conditions in the geographic area First Federal serves, competitive considerations and other factors.

The First Federal parties and Alpena Banking Corporation parties (collectively, the "parties") began informal exploratory conversations about a business combination in the summer of 2006 at which time the parties signed a confidentiality agreement. First Federal hired Austin Associates as its financial advisors and had Austin Associates conduct a preliminary analysis on a potential merger of First Federal and Bank of Alpena. Based upon that analysis, First Federal, with the assistance of legal counsel, prepared a letter of interest to Bank of Alpena, indicating a range for the aggregate merger consideration. Alpena Banking Corporation's board of directors considered the proposal and prepared a formal rejection letter which it delivered to First Federal on December 13, 2006. This letter effectively terminated all discussions of a business combination between the parties.

The discussions of a business combination resumed in November 2009 with an invitation from the Alpena Banking Corporation's chairman, Mr. Tim Fitzpatrick, to Mr. Michael Mahler, First Federal Bancorp's President and Chief Executive Officer, for an exploratory conversation regarding a business combination of the parties.

As is described in greater detail below, the passage of the Dodd-Frank Act in 2010 which eliminated the Office of Thrift Supervision ("OTS"), the former primary regulator of both First Federal Bancorp and First Federal, and shifted primary oversight of First Federal Bancorp to the Federal Reserve Board and of First Federal to the Office of the Comptroller ("OCC") contributed to the protracted discussion period between the parties concerning a merger.

In January 2010 Messrs. Mahler and Martin Thomson, Chairman of First Federal Bancorp, met on a preliminary basis with the OTS in Chicago to discuss a potential merger with Alpena Banking Corporation.

In February 2010, First Federal submitted a letter to Messrs. Fitzpatrick and Richard Crittenden, an outside board member of Alpena Banking Corporation, indicating First Federal's interest in continuing to explore a business combination with Bank of Alpena. Thereafter, later in February 2010, Messrs. Fitzpatrick, Crittenden and Mahler met.

The parties signed a confidentiality agreement regarding the Merger on March 1, 2010, and the parties commenced due diligence based on publicly available data. On March 17, 2010 the parties discussed via conference call merger-related analysis prepared by Austin Associates, First Federal Bancorp's financial advisor which also participated on the call.

In April 2010, First Federal again met with OTS in Chicago at which time the OTS indicated concerns about a possible merger with Bank of Alpena as Bank of Alpena had recently entered in to a Consent Order with the FDIC and the DIFS. As a result of this meeting, merger discussions stalled.

During February 2010, the parties reached agreement that the aggregate merger consideration would be determined by the respective tangible equity contributions of the parties on a *pro forma* basis. According to this formula and based upon their respective tangible equity accounts as of September 30, 2013 (\$6.818 million for Alpena Banking Corporation and \$23.780 million for First Federal Bancorp), the last quarter-end available information prior to the execution date of the Merger Agreement, on a *pro forma* basis, Alpena Banking Corporation was contributing approximately 22.3% of the combined tangible equity. Therefore First Federal Bancorp would issue that number of shares so that shareholders of

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Alpena Banking Corporation owned 22.3% of the outstanding shares of First Federal Bancorp on a post-Merger *pro forma* basis. Based upon the closing price of First Federal Bancorp stock as of June \_\_, 2014 (\$\_\_\_), the estimated total merger consideration is equal to \$\_\_\_\_\_. The actual value of the merger consideration to be Pursuant to this formula and the number of shares of Alpena Banking Corporation to be outstanding at the effective time of the Merger, it was determined that First Federal Bancorp would issue 842,965 shares of stock to the shareholders of Alpena Banking Corporation. paid to Alpena Banking Corporation shareholders will not be determined until the effective date of the Merger.

In August 2011 Messrs. Fitzpatrick, Crittenden and Craig Kus, President and Chief Executive Officer of Alpena Banking Corporation, and Messrs. Thomson and Mahler of First Federal Bancorp, met to discuss the respective parties' regulatory conditions and to re-introduce the merger, and based on this meeting, the parties re-initiated merger discussions. This decision resulted in a confidentiality agreement being signed by the parties in September 2011.

In October 2011, Messrs. Fitzpatrick, Crittenden, Thomson and Mahler met and it was decided that First Federal would request updated financial analysis for the Merger from Austin Associates, which Austin Associates prepared in November 2011.

The parties then met in December 2011 to discuss this updated financial analysis.

In March 2012 the parties met and First Federal indicated that its first examination by the OCC, having assumed this oversight from the now defunct OTS, was scheduled for July 2012 and further discussion would be delayed until it received an indication from the OCC following completion of this examination. Following completion of the OCC examination in August 2012, the parties periodically met throughout the Fall of 2012 and the early Winter of 2013.

On January 8, 2013, Mr. Mahler spoke with Eric Luse, Esq. of Luse Gorman Pomerenk & Schick, PC, Washington, D.C., special legal counsel to First Federal Bancorp, to discuss the possibility of the Merger.

In March 2013, following receipt of the OCC report of examination from the examination conducted in July-August 2012, the parties met and resumed dialogue regarding the Merger. On April 17, 2013, the parties signed a letter of interest.

In May 2013, Austin Associates presented updated analysis to the First Federal Bancorp board of directors and the board of directors authorized Messrs. Mahler and Thomson to meet with the OCC, which they did on June 5, 2013. After this meeting it was decided that since both institutions were one month away from their next regulatory on-site

examinations, the parties would wait for completion of these examination before continuing Merger discussions.

First Federal's examination was conducted in July-August 2013, and First Federal received its report of examination in September 2013. Similarly, Bank of Alpena underwent an examination in the Summer of 2013 and received its report of examination in September 2013. Upon completion of these examinations and receipt of the reports of examination, the parties determined to re-initiate merger discussions and prepare for due diligence.

On October 10, 2013, the board of directors of First Federal Bancorp held a special meeting to discuss the merger agreement. Representatives from Luse Gorman and Austin Associates were in attendance at this meeting. Thereafter in October 2013, First Federal conducted loan review diligence on Bank of Alpena with the assistance of Plante & Moran, PLLC. Simultaneously the parties began to gather additional diligence materials and Austin Associates hosted an electronic data room to which data were uploaded for review beginning in November 2013. Additionally, in November 2013, Alpena Banking Corporation, with the assistance of Andrews Hooper Pavlik PLC, conducted a loan review of First Federal.

The parties reviewed due diligence findings in November 2013 through January 2014. During this time, the First Federal Bancorp board met and authorized management, with the assistance of legal



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counsel, Luse Gorman, to draft a merger agreement, which draft agreement was reviewed at regular monthly board meetings of First Federal during November and December

On November 26, 2014, Alpena Banking Corporation's attorneys presented a marked version of the proposed Merger Agreement to First Federal Bancorp's attorneys for review. On December 9, 2013 the board of directors of First Federal Bancorp held a special meeting to discuss the Merger Agreement and thereafter Messrs. Thomson, Mahler and Thomas Townsend, a director of First Federal Bancorp, met with Messrs. Kus, Crittenden and Fitzpatrick of Alpena Banking Corporation to discuss terms of the Merger.

On December 9, 2013 a revised Merger Agreement was sent to Alpena Banking Corporation attorney's responsive to the issues and requested changes previously made by Alpena Banking Corporation. On December 10, 2013 a meeting took place between the respective executive management teams and Board Chairs of First Federal Bancorp and Alpena Banking Corporation and the final issues were negotiated, subject to the respective final review and approval of the full boards of directors of the parties. A further revised draft Merger Agreement was provided to Alpena Banking Corporation's attorneys on December 13, 2013.

At meetings on December 12, 2013, December 16, 2013 and December 27, 2013, representatives of First Federal Bancorp and Alpena Banking Corporation reviewed terms of the merger agreement, including completion of the disclosure schedules related to the representations and warranties section of the Merger Agreement.

On January 17, 2014 representatives for the parties met to finalize the timing and sequence of events associated with signing the Merger Agreement and preparing a joint announcement.

On January 21, 2014 the boards of First Federal Bancorp and First Federal met with attorneys from Luse Gorman who reviewed with the boards in detail the Merger Agreement, and with representatives of Austin Associates who presented orally its fairness opinion and supporting financial analysis with respect to the merger consideration being issued by First Federal Bancorp to stockholders of Alpena Banking Corporation. Austin Associates subsequently issued its written fairness opinion dated January 23, 2014, concurrent with First Federal Bancorp's board of director's approval of the Merger Agreement. The oral and written opinions to the board of directors indicated that the terms of the Merger Agreement were fair to First Federal Bancorp and its stockholders. The written opinion was based on September 30, 2013 financial information as well as a review of preliminary December 31, 2013 financial results of each company and current market information.

On January 23, 2014, Messrs. Kus and Mahler executed the Merger Agreement. After the market closed on January 23, 2014 the parties issued a joint news release announcing the execution of the definitive Merger Agreement.

Recommendation of First Federal Bancorp's Board of Directors and Reasons for Merger

First Federal Bancorp's board of directors reviewed and discussed the transaction with First Federal Bancorp's management and its financial and legal advisors in unanimously determining that the Merger was advisable and is fair to, and in the best interests of, First Federal Bancorp and its stockholders. In reaching its determination, the First Federal Bancorp board of directors considered a number of factors, including, among others, the following:

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the board's understanding of, and the presentations of First Federal Bancorp's management and financial advisor regarding, Alpena Banking Corporation's business, operations, management, financial condition, asset quality, earnings and prospects;

the board's view that the Merger will allow for enhanced opportunities for First Federal Bancorp's new and existing clients and customers;

the results of management's due diligence investigation of Alpena Banking Corporation and the reputation, business practices and experience of Alpena Banking Corporation and Bank of Alpena and its management, including their impression that Bank of Alpena is a community bank that is deeply committed to its customers, employees, and the communities that it serves;

the board's view of potential synergies resulting from a combination of First Federal Bancorp and Alpena Banking Corporation;

the board's view that the combined company will have the potential to realize a stronger competitive position and improved long-term operating and financial results, including revenue and earning enhancements;

the review by First Federal Bancorp's board of directors with its legal and financial advisors of the structure of the Merger and the financial and other terms of the Merger Agreement; and

the financial information and analyses presented by Austin Associates to the First Federal Bancorp board of directors, and its opinion to the First Federal Bancorp board of directors to the effect that, as of the date of such opinion, based upon and subject to the assumptions, qualifications, conditions, limitations and other matters set forth in such opinion, the merger consideration to be paid by First Federal Bancorp to Alpena Banking Corporation stockholders in the Merger is fair to First Federal Bancorp from a financial point of view. A copy of the written opinion that was delivered to the First Federal Bancorp board is included as **Appendix C** to this joint proxy statement/prospectus and described under "Opinion of First Federal Bancorp's Financial Advisor" beginning on page 52.

**STOCKHOLDERS ARE URGED TO READ THE OPINION IN ITS ENTIRETY.**

This discussion of the factors considered by First Federal Bancorp's board of directors is not exhaustive. First Federal Bancorp's board of directors considered these factors as a whole, and considered them to be favorable to, and supportive of, its determination. First Federal Bancorp's board of directors did not consider it practical, nor did it attempt, to quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. In considering the factors described above, individual members of First Federal Bancorp's board of directors may have given different weights to different factors.

First Federal Bancorp's board of directors determined that the Merger Agreement and the Merger are fair to and in the best interests of First Federal Bancorp and its stockholders. **Accordingly, First Federal Bancorp's board of directors adopted and approved the Merger Agreement, and unanimously recommends that First Federal Bancorp stockholders vote "FOR" approval of the Merger Agreement in connection with the Merger.**

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**THE FIRST FEDERAL BANCORP BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE PROPOSAL TO APPROVE THE MERGER AGREEMENT.**

Opinion of First Federal Bancorp’s Financial Advisor

*Throughout this section entitled “Opinion of First Federal Bancorp’s Financial Advisor” references to “we,” “our” or “us” refer to Austin Associates, LLC.*

First Federal Bancorp and First Federal engaged Austin Associates, LLC (“Austin Associates”) to serve as financial advisor in connection with the Merger on October 15, 2012. Prior to this engagement, Austin Associates provided various consulting services to First Federal Bancorp, and between January 1, 2012 and May 7, 2014, Austin Associates received total fees of \$74,000 (net of reimbursed expenses) from First Federal Bancorp which includes \$25,000 of fees related to the proposed Merger. Austin Associates is an investment banking and consulting firm specializing in community bank mergers and acquisitions. First Federal Bancorp selected Austin Associates as its financial advisor on the basis of its historical consulting and investment banking relationship, and Austin Associates’ experience and expertise in representing community banks in similar transactions.

As part of its engagement, Austin Associates assessed the fairness, from a financial point of view, of the terms of the Agreement to First Federal Bancorp and its stockholders. The full text of Austin Associates’ opinion letter is attached as **Appendix C** to this joint proxy statement/prospectus. The description of the opinion set forth below is qualified in its entirety by reference to the opinion.

You should consider the following when reading the discussion of Austin Associates’ opinion in this document:

the opinion letter details the procedures followed, assumptions made, matters considered, and qualifications and limitations of the review undertaken by Austin Associates in connection with its opinion, and should be read in its entirety;

Austin Associates’ opinion does not address the relative merits of the Merger and the other business strategies considered by First Federal Bancorp’s board, nor does it address the board’s decision to proceed with the Merger; and

Austin Associates’ opinion rendered in connection with the Merger does not constitute a recommendation to any First Federal Bancorp stockholder as to how he or she should vote at the special meeting of stockholders being called to vote on the Merger Agreement.

The preparation of a fairness opinion involves various determinations as to the most appropriate methods of financial analysis and the application of those methods to the particular circumstances. It is, therefore, not readily susceptible to partial analysis or summary description. In performing its analyses, Austin Associates made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of First Federal Bancorp and Alpena Banking Corporation and may not be realized. Any estimates contained in Austin Associates' analyses are not necessarily predictive of future results or values, and may be significantly more or less favorable than the estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which the companies or their securities may actually be sold. Unless specifically noted, none of the analyses performed by Austin Associates was assigned a greater significance by Austin Associates than any other. The relative importance or weight given to these analyses is not affected by the order of the analyses or the corresponding results. The summaries of

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financial analyses include information presented in tabular format. The tables should be read together with the text of those summaries.

With respect to the internal projections, transaction costs, purchase accounting adjustments and expected cost savings, First Federal's management confirmed to us that they reflected the best currently available estimates, and we assumed that such performance and estimates would be achieved. We have also assumed that there has been no material change in the assets, financial condition, results of operations, business or prospects of First Federal Bancorp and Alpena Banking Corporation since the date of the most recent financial statements made available to us. We have assumed in all respects material to our analysis that First Federal Bancorp will remain as a going concern for all periods relevant to our analyses, that all of the representations and warranties contained in the Merger Agreement are true and correct, that each party to the Merger Agreement will perform all of the covenants required to be performed by such party under the Merger Agreement, and that the conditions precedent in the Merger Agreement are not waived. Finally, we have relied upon the advice First Federal Bancorp has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the Merger and the other transactions contemplated by the Merger Agreement.

Austin Associates has relied, without independent verification, upon the accuracy and completeness of the information it reviewed for the purpose of rendering its opinion. Austin Associates did not undertake any independent evaluation or appraisal of the assets and liabilities of First Federal Bancorp or Alpena Banking Corporation, nor was it furnished with any appraisals. Austin Associates has not reviewed any individual credit files of First Federal or Bank of Alpena, and has assumed that First Federal's and Bank of Alpena's allowances are, in the aggregate, adequate to cover inherent credit losses. Austin Associates' opinion is based on economic, market and other conditions existing on the date of its opinion. No limitations were imposed by First Federal Bancorp's board or its management upon Austin Associates with respect to the investigations made or the procedures followed by Austin Associates in rendering its opinion.

In rendering its opinion, Austin Associates made the following assumptions:

all material governmental, regulatory and other consents and approvals necessary for the consummation of the Merger would be obtained without any adverse effect on First Federal Bancorp, Alpena Banking Corporation or on the anticipated benefits of the Merger;

that First Federal Bancorp and Alpena Banking Corporation have provided all of the information that might be material to Austin Associates in its review; and

the financial projections Austin Associates reviewed were reasonably prepared on a basis reflecting the best currently available estimates and judgment of the management of First Federal Bancorp and Alpena Banking Corporation as to the future operating and financial performance of First Federal Bancorp and Alpena Banking Corporation, respectively.

In connection with its opinion, Austin Associates reviewed:

the Merger Agreement;

certain publicly available financial statements and other historical financial information of First Federal Bancorp and First Federal that we deemed relevant;



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certain publicly available financial statements and other historical financial information of Alpena Banking Corporation and Bank of Alpena that we deemed relevant;

financial projections for First Federal Bancorp prepared by and reviewed with management of First Federal Bancorp;

financial projections for Alpena Banking Corporation prepared by and reviewed with management of Alpena Banking Corporation;

the financial performance of certain commercial banking organizations that we deemed comparable to First Federal Bancorp and Alpena Banking Corporation, respectively;

the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;

the current market environment generally and the banking environment in particular; and

such other information, financial studies, analyses and investigations and financial, economic and market data as we considered relevant.

Austin Associates discussed with certain members of senior management of First Federal Bancorp the business, financial condition, results of operations and prospects of First Federal Bancorp, including certain operating, regulatory and other financial matters. Austin Associates also discussed with certain members of senior management of Alpena Banking Corporation the business, financial condition, results of operations and prospects of Alpena Banking Corporation, including certain operating, regulatory and other financial matters.

On January 21, 2014, Austin Associates provided an oral opinion to the board of directors of First Federal Bancorp. Austin Associates subsequently issued its written opinion dated January 23, 2014, concurrent with First Federal Bancorp's board of director's approval of the Merger Agreement. The oral and written opinions to the board of directors indicated that the terms of the Merger Agreement were fair to First Federal Bancorp and its stockholders. The written opinion was based on September 30, 2013 financial information as well as a review of preliminary December 31, 2013 financial results of each company and current market information. Presented below is a summary of the analysis Austin Associates presented to the board of directors of First Federal Bancorp at that time. This summary does not purport to be a complete description of the analyses performed by Austin Associates. Capitalized terms used herein without definition shall have the meanings given to such terms in the Merger Agreement.

**Financial Terms of the Merger.** The financial terms of the Merger Agreement provide for stockholders of Alpena Banking Corporation to exchange each outstanding share of common stock of Alpena Banking Corporation for 1.549

shares of First Federal Bancorp common stock. Prior to closing, Alpena Banking Corporation will grant 10,500 shares to management of Alpena Banking Corporation as set forth in the Merger Agreement which will increase Alpena Banking Corporation's issued and outstanding common shares from 533,700 to 544,200. At the Effective Time of the Merger, based on the outstanding shares of Alpena Banking Corporation and the 1.549 exchange ratio, Alpena Banking Corporation's stockholders, in the aggregate, will receive 842,965 shares of First Federal Bancorp common stock, representing 22.6% of pro forma ownership in First Federal Bancorp. Following the Merger, there will be 3,727,014 issued and outstanding shares of First Federal Bancorp common stock.

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**Contribution Analysis.** Austin Associates compared the relative contribution of historical assets, equity and earnings of First Federal Bancorp and Alpena Banking Corporation, respectively, to the pro forma combined company, as of September 30, 2013. The following table summarizes the contribution analysis:

Contribution Analysis (\$ in thousands)	First Federal Bancorp		Alpena Banking Corporation		Combined
YTD 09/30/13 PTPP Earnings <sup>(1)</sup>	\$ 779	76.5 %	\$ 239	23.5 %	\$ 1,018
YTD 09/30/13 Net Income	\$ 247	72.4 %	\$ 94	27.6 %	\$ 341
Total Equity	\$ 23,849	77.8 %	\$ 6,818	22.2 %	\$ 30,667
Tangible Equity	\$ 23,780	77.7 %	\$ 6,818	22.3 %	\$ 30,598
Total Assets	\$ 213,875	74.4 %	\$ 73,732	25.6 %	\$ 287,607
Nonperforming Assets	\$ 5,728	67.9 %	\$ 2,709	32.1 %	\$ 8,437
Nonperforming Assets <sup>(2)</sup>	\$ 6,210	66.7 %	\$ 3,106	33.3 %	\$ 9,316
Shares/Ownership %	2,884,049	77.4 %	842,965	22.6 %	3,727,014

(1) PTPP is Pre-tax pre-provision earnings. Excludes OREO value adjustments and intangible amortization expense.

(2) Including restructured loans as presented in publicly available reports prepared by SNL Financial LC.

**Comparable Transaction Analysis.** Austin Associates compared the financial performance of certain selling institutions and the prices paid in selected transactions to Alpena Banking Corporation's financial performance and the implied multiples from the First Federal and Alpena Banking Corporation Merger. Specifically, Austin Associates reviewed certain information relating to bank and thrift sale transactions in Illinois, Indiana, Kentucky, Michigan, Ohio and Wisconsin, announced between January 1, 2012 to January 10, 2014 involving sellers with total assets of less than \$500 million, positive last twelve-month ("LTM") return on average assets ("ROAA") and nonperforming assets of less than 2.00%. Eleven transactions met the transaction criterion.

Buyer Name	State	Seller Name	City	State
1. Horizon Bancorp	IN	SCB Bancorp Inc.	East Lansing	MI
2. Poage Bankshares, Inc.	KY	Town Square Financial Corp.	Ashland	KY
3. German American Bancorp, Inc.	IN	United Commerce Bancorp	Bloomington	IN
4. Peoples Bancorp Inc.	OH	Ohio Commerce Bank	Beachwood	OH
5. Croghan Bancshares Inc.	OH	Indebancorp	Oak Harbor	OH
6. Wintrust Financial Corp.	IL	First Lansing Bancorp Inc.	Lansing	IL
7. Peoples Fleming County Banc., Inc.	KY	Salt Lick Deposit Bank	Salt Lick	KY
8. Greenwoods Financial Group Inc.	WI	Bank of Monticello	Monticello	WI
9. Wintrust Financial Corp.	IL	HPK Financial Corp.	Chicago	IL
10. Investor group	MI	Bank of Michigan	Farmington Hills	MI
11. Ohio Farmers Insurance Co.	OH	Western Reserve Bancorp	Medina	OH



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Based on First Federal Bancorp's closing stock price as of January 23, 2014 of \$5.15, the merger consideration to Alpena Banking Corporation stockholders equaled \$4.3 million in the aggregate or \$7.98 per share. The following table highlights the results of this guideline transaction comparison:

<b>Seller's Financial Performance</b>	<b>Guideline Median</b>		<b>Alpena Banking Corporation <sup>(1)</sup></b>	
Total Assets (\$ in thousands)	\$ 155,000		\$ 74,000	
Tangible Equity / Tangible Assets	10.58	%	9.25	%
Return on Average Assets	0.61	%	0.12	%
Return on Average Equity	5.69	%	1.28	%
Efficiency Ratio	71.8	%	91.5	%
Nonperforming Assets/Assets <sup>(2)</sup>	2.93	%	4.21	%
<b>Deal Transaction Multiples</b>				
Price/Tangible Book Value Ratio	106	%	64	%
Price/LTM Earnings	18.6		48.8	
Premium/Core Deposits	1.3	%	(3.8)	)%

(1) Alpena Banking Corporation's financial performance and merger multiples based on September 30, 2013 data.

(2) Restructured loans included in computation of NPAs

The median LTM ROAA of the selling banks from the guideline transactions was 0.61%. Further, the median nonperforming assets ("NPA") to total assets ratio measured 2.93%. In contrast, Alpena Banking Corporation had a LTM ROAA of 0.12% and a NPA to asset ratio of 4.21%. The indicated price to tangible book ratio resulting from the Merger of First Federal Bancorp and Alpena Banking Corporation of 64% was lower than the median price to tangible book ratio of 106% for the guideline transactions. The price-to-earnings multiple from the Merger of 48.8 was higher than the median multiple of 18.6. The indicated core deposit premium from the Merger of negative (3.8%) was lower than the median for the guideline transactions of 1.3%.

**Pro Forma Merger Analysis.** Austin Associates prepared a pro forma merger analysis assuming the Merger was completed at June 30, 2014 based on the financial terms of the Agreement. Austin Associates selected various input assumptions for projected earnings, cost savings, transaction costs and purchase accounting adjustments based on its experience and after discussions with management of First Federal Bancorp and Alpena Banking Corporation. Austin Associates calculated the pro forma estimated effect of the Merger to First Federal Bancorp's pro forma equivalent book value per share, tangible book value per share and earnings per share. Based on the required accounting treatment for this transaction, First Federal Bancorp could potentially record an accounting gain depending on the stock price of First Federal Bancorp at closing and the fair value of Alpena Banking Corporation's balance sheet. Presented below are summary results from this analysis:



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	First Federal Bancorp Projected and Pro Forma		
	2014	2015	2016
<b>Earnings Per Share</b>			
Pro-Forma Equivalent	\$0.63	\$0.53	\$0.58
Stand-Alone	\$0.14	\$0.21	\$0.25
\$ Change	\$0.49	\$0.32	\$0.33
% Change	355.4%	154.2%	132.0%
<b>Book Value Per Share</b>			
Pro-Forma Equivalent	\$7.95	\$8.39	\$8.88
Stand-Alone	\$8.23	\$8.35	\$8.50
\$ Change	\$(0.28 )	\$0.04	\$0.38
% Change	(3.4 )%	0.5 %	4.5 %
<b>Tangible Book Value Per Share</b>			
Pro-Forma Equivalent	\$7.68	\$8.15	\$8.67
Stand-Alone	\$8.23	\$8.35	\$8.50
\$ Change	\$(0.55 )	\$(0.20 )	\$0.17
% Change	(6.6 )%	(2.3 )%	2.0 %

Under the modeling assumptions, First Federal Bancorp's pro forma earnings per share would increase significantly from the Merger. First year EPS will be positively impacted for the accounting gain from the transaction. Book value and tangible book value per share would be diluted at closing by approximately 5.1% and 8.6%, respectively. Book value dilution would be recovered in approximately 1.5 years and tangible book value dilution would be recovered in approximately 2.0 years.

**Updated Contribution Analysis.** The following table summarizes the contribution analysis based on final December 31, 2013 financial statements which were received after the January 21, 2014 Board presentation:

Contribution Analysis (\$ in thousands)	First Federal Bancorp		Alpena Banking Corporation		Combined
12/31/2013 Total Assets	\$209,657	74.1 %	\$ 73,234	25.9 %	\$ 282,891
2013Y Net Income	\$55	38.2 %	\$ 89	61.8 %	\$ 144
12/31/13 Total Equity	\$23,525	77.5 %	\$ 6,828	22.5 %	\$ 30,353
12/31/13 Tangible Equity	\$23,485	77.5 %	\$ 6,828	22.5 %	\$ 30,313

**Austin Associates' Compensation and Other Relationships with First Federal Bancorp and Alpena Banking Corporation.** First Federal Bancorp has agreed to pay Austin Associates certain fees for its services as financial advisor in connection with the Merger. First Federal Bancorp paid Austin Associates cash fees of \$10,000 for the analysis and advisory services leading up to signing of the Merger Agreement. First Federal Bancorp paid Austin Associates a cash fee of \$20,000 upon execution of the Merger Agreement which included the issuance of Austin Associates' fairness opinion. First Federal Bancorp has agreed to pay Austin Associates a cash fee, at closing of the Merger, equal to \$70,000.

Austin Associates has provided various consulting services to First Federal Bancorp in the past. These fees were not material to Austin Associates' overall business. Austin does not have any prior, existing or pending engagements with Alpena Banking Corporation.

**Summary.** Based on the preceding summary discussion and analysis, and subject to the qualifications described herein, it is Austin Associates' opinion that the terms of the Agreement are fair, from a financial point of view, to First Federal Bancorp and its stockholders.

The opinion expressed by Austin Associates is based on market, economic and other relevant considerations as they existed and could be evaluated as of January 23, 2014. Events occurring after such



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date, including, but not limited to, changes affecting the securities markets, the results of operations or material changes in the financial condition of either Alpena Banking Corporation or First Federal Bancorp could materially affect the assumptions used in preparing the opinion.

### Consideration to be Received in the Merger

At the Effective Time of the Merger, each share of Alpena Banking Corporation common stock issued and outstanding will automatically be converted into the right to receive 1.549 shares of First Federal Bancorp common stock, and cash instead of fractional shares.

If First Federal Bancorp declares a stock dividend or distribution on shares of its common stock or subdivides, splits, reclassifies or combines the shares of First Federal Bancorp common stock prior to the Effective Time of the Merger, then the exchange ratio will be adjusted to provide Alpena Banking Corporation stockholders with the same economic effect as contemplated by the Merger Agreement prior to any of these events.

Alpena Banking Corporation stockholders will not receive fractional shares of First Federal Bancorp common stock. Instead, Alpena Banking Corporation stockholders will receive a cash payment for any fractional shares in an amount equal to the product of (i) the fraction of a share of First Federal Bancorp common stock to which such stockholder is entitled multiplied by (ii) the average closing price of First Federal Bancorp common stock during the five consecutive trading days immediately preceding the closing date of the Merger.

### Surrender of Stock Certificates

Alpena Banking Corporation stockholders will receive instructions from the transfer agent on where to surrender their Alpena Banking Corporation stock certificates after the Merger is completed. **Alpena Banking Corporation stockholders should not forward their Alpena Banking Corporation stock certificates with their proxy cards.**

### Accounting Treatment of the Merger

In accordance with current accounting guidance, the Merger will be accounted for using the purchase method. The result of this is that the recorded assets and liabilities of First Federal Bancorp will be carried forward at their recorded amounts, the historical operating results will be unchanged for the prior periods being reported on and that the assets

and liabilities of Alpena Banking Corporation will be adjusted to fair value at the date of the Merger. In addition, all identified intangible assets of Alpena Banking Corporation will be recorded at fair value and included as part of the net assets acquired. To the extent that the purchase price, consisting of the shares of First Federal Bancorp common stock to be issued to former Alpena Banking Corporation stockholders at fair value, exceeds the fair value of the net assets including identifiable intangibles of Alpena Banking Corporation at the Effective Date of the Merger, that amount will be reported as goodwill. In accordance with current accounting guidance, goodwill will not be amortized but will be evaluated for impairment annually. Identified intangibles will be amortized over their estimated lives. Further, the purchase method of accounting results in the operating results of Alpena Banking Corporation being included in the operating results of First Federal Bancorp beginning from the date of completion of the Merger.

#### Material Federal Income Tax Consequences of the Merger

**General.** The following summary discusses the material anticipated U.S. federal income tax consequences of the Merger applicable to a holder of shares of Alpena Banking Corporation common

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stock who by operation of law at the Effective Time of the Merger exchanges all of the stockholder's Alpena Banking Corporation common stock for shares of First Federal Bancorp common stock in the Merger. This discussion is based upon the Internal Revenue Code, Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service ("IRS"), and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion is limited to U.S. residents and citizens who hold their shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not cover all U.S. federal income tax consequences of the Merger and related transactions that may be relevant to holders of shares of Alpena Banking Corporation common stock. This discussion also does not address all of the tax consequences that may be relevant to a particular person or the tax consequences that may be relevant to persons subject to special treatment under U.S. federal income tax laws (including, among others, tax-exempt organizations, dealers in securities or foreign currencies, banks, insurance companies, financial institutions or persons who hold their shares of Alpena Banking Corporation common stock as part of a hedge, straddle, constructive sale or conversion transaction, persons whose functional currency is not the U.S. dollar, persons that are, or hold their shares of Alpena Banking Corporation common stock through, partnerships or other pass-through entities, or persons who acquired their shares of Alpena Banking Corporation common stock through the exercise of an employee stock option or otherwise as compensation). In addition, this discussion does not address any aspects of state, local, non-U.S. taxation or U.S. federal taxation other than income taxation. No ruling has been requested from the IRS regarding the U.S. federal income tax consequences of the Merger. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the U.S. federal income tax consequences set forth below.

**Alpena Banking Corporation stockholders are urged to consult their tax advisors as to the U.S. federal income tax consequences of the Merger, as well as the effects of state, local, non-U.S. tax laws and U.S. tax laws other than income tax laws.**

**Opinion Conditions.** It is a condition to the obligations of First Federal Bancorp and Alpena Banking Corporation that First Federal Bancorp and Alpena Banking Corporation each receive an opinion of tax counsel to First Federal Bancorp, to the effect that the Merger will constitute a "reorganization" for U.S. federal income tax purposes within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code. First Federal Bancorp and Alpena Banking Corporation both expect to be able to obtain the tax opinions if, as expected:

First Federal Bancorp and Alpena Banking Corporation are able to deliver customary representations to First Federal Bancorp's tax counsel; and

there is no adverse change in U.S. federal income tax law.

Although the Merger Agreement allows both First Federal Bancorp and Alpena Banking Corporation to waive the condition that tax opinions be delivered by tax counsel to First Federal Bancorp, neither party currently anticipates doing so.

In addition, in connection with the filing of the registration statement of which this joint proxy statement/prospectus forms a part, Luse Gorman Pomerenk & Schick, counsel to First Federal Bancorp, has delivered its opinion to First Federal Bancorp and Alpena Banking Corporation dated as of the date of this joint proxy statement/prospectus, that the Merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code. A form of this opinion has been filed as Exhibit 8 to the registration statement. This opinion has been rendered on the basis of facts, representations and assumptions set forth or referred to in such opinion and factual representations contained in certificates of

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officers of First Federal Bancorp and Alpena Banking Corporation, all of which must continue to be true and accurate in all material respects as of the Effective Time of the Merger.

If any of the representations or assumptions upon which the opinions are based are inconsistent with the actual facts, the tax consequences of the Merger could be adversely affected. The determination by tax counsel as to whether the proposed Merger will be treated as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code will depend upon the facts and law existing at the Effective Time of the Merger.

Following is a discussion of the federal income tax consequences of the Merger based on the opinion that the Merger will constitute a “reorganization” for U.S. federal income tax purposes within the meaning of Section 368(a) of the Internal Revenue Code.

***Tax Treatment of the Parties to the Merger.*** No gain or loss will be recognized by First Federal Bancorp or Alpena Banking Corporation, or their respective subsidiaries, as a result of the Merger.

***Tax Treatment to Alpena Banking Corporation Stockholders.***

***General.*** No gain or loss will be recognized by an Alpena Banking Corporation stockholder who receives shares of First Federal Bancorp common stock (except for cash received in lieu of fractional shares, as discussed below) in exchange for all of his or her shares of Alpena Banking Corporation common stock. The tax basis of the shares of First Federal Bancorp common stock received by an Alpena Banking Corporation stockholder in such exchange will be equal to the basis of the Alpena Banking Corporation common stock surrendered in exchange for the First Federal Bancorp common stock. The holding period of the First Federal Bancorp common stock received will include the holding period of shares of Alpena Banking Corporation common stock surrendered in exchange for the First Federal Bancorp common stock, provided that such shares were held as capital assets of the Alpena Banking Corporation stockholder at the effective time of the Merger.

***Cash in Lieu of Fractional Shares.*** An Alpena Banking Corporation stockholder who holds Alpena Banking Corporation common stock as a capital asset and who receives in the Merger, in exchange for such stock, cash in lieu of a fractional share interest in First Federal Bancorp common stock will be treated as having received such cash in full payment for such fractional share of stock and as capital gain or loss.

***Backup Withholding.*** Payments of cash to a holder of Alpena Banking Corporation common stock instead of a fractional share of First Federal Bancorp common stock may, under certain circumstances, be subject to information

reporting and backup withholding at a rate of 28% of the cash payable to the holder, unless the holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's U.S. federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

#### Regulatory Matters Relating to the Merger

**Merger.** Under the terms of the Merger Agreement, the Merger cannot be completed unless the parties first receive all required bank regulatory approvals. First Federal Bancorp has submitted a request to the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") to waive the requirement that it register as a bank holding company in connection with the acquisition of Bank of Alpena. Because Bank of Alpena will be merged into First Federal at the effective time of the Merger,

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First Federal Bancorp expects that the Federal Reserve Board will grant this waiver. If First Federal Bancorp does not obtain such a waiver it will require approval of the Federal Reserve Board to become a bank holding company.

Additionally, the merger of Bank of Alpena with and into First Federal requires the approval of the Office of the Comptroller of the Currency (“OCC”) under the Bank Merger Act. First Federal has filed this application.

As of the date of this document, First Federal Bancorp has not received a waiver from the Federal Reserve Board and First Federal has not received an approval from the OCC. While First Federal Bancorp and First Federal do not know of any reason why they would not be able to obtain approvals and waivers in a timely manner, First Federal Bancorp cannot be certain when or if it will receive these regulatory approvals and waivers.

In reviewing applications for transactions of this type, the OCC must consider, among other factors, the financial and managerial resources and future prospects of the existing and resulting institutions, and the convenience and needs of the communities to be served. In addition, the OCC may not approve a transaction if it will result in a monopoly or otherwise be anticompetitive.

In addition, a period of 15 to 30 days must expire following approval by the OCC before the Merger can be completed, within which period the United States Department of Justice may file objections to the Merger under the federal antitrust laws. While First Federal Bancorp and Alpena Banking Corporation believe that the likelihood of objection by the Department of Justice is remote in this case, there can be no assurance that the Department of Justice will not initiate proceedings to block the Merger or what the result would be, if any proceeding is instituted or challenge is made.

The Merger cannot proceed in the absence of the requisite regulatory approvals. See “Description of the Merger – Conditions to Completing the Merger” and “– Terminating the Merger Agreement.” There can be no assurance that the requisite regulatory approvals will be obtained, and if obtained, there can be no assurance as to the date of any approval. There also can be no assurance that any regulatory approvals will not contain a condition or requirement that causes the approvals to fail to satisfy the condition set forth in the Merger Agreement and described under “Description of the Merger – Conditions to Completing the Merger.”

The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the Merger from the standpoint of the adequacy of the exchange ratio for Alpena Banking Corporation stockholders. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the Merger.

Federal law requires publication of notice of, and the opportunity for public comment on, the application submitted by First Federal for approval of the merger with Bank of Alpena and authorizes the OCC to hold a public hearing in connection with the application if it determines that such a hearing would be appropriate. Any such hearing or comments provided by third parties could prolong the period during which the application is subject to review. In addition, under federal law, a period of 30 days must expire following approval by the OCC within which period the Department of Justice may file objections to the Merger under the federal antitrust laws. This waiting period may be reduced to 15 days if the Department of Justice has not provided any adverse comments relating to the competitive factors of the transaction. If the Department of Justice were to commence an antitrust action, that action would stay the effectiveness of OCC approval of the bank merger unless a court specifically orders otherwise. In reviewing the Merger, the Department of Justice could analyze the Merger's effect on competition differently than the



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OCC, and thus it is possible that the Department of Justice could reach a different conclusion than the OCC regarding the Merger's competitive effects.

Interests of Certain Persons in the Merger that are Different from Yours

**Share Ownership.** On the record date for the Alpena Banking Corporation special meeting, Alpena Banking Corporation's directors and officers beneficially owned, in the aggregate, 164,500 shares of Alpena Banking Corporation's common stock, representing approximately 30.8% of the outstanding shares of Alpena Banking Corporation common stock.

As described below, certain of Alpena Banking Corporation's officers and directors have interests in the Merger that are in addition to, or different from, the interests of Alpena Banking Corporation's stockholders generally. Alpena Banking Corporation's board of directors was aware of these conflicts of interest and took them into account in approving the Merger.

**Appointment of Alpena Banking Corporation Directors to First Federal Bancorp Board.** In accordance with the Merger Agreement, four of Alpena Banking Corporation's directors, as determined by First Federal Bancorp, will be appointed and elected to the First Federal Bancorp and First Federal boards of directors. The fees paid to these directors will be the same as similarly situated board members of First Federal Bancorp and First Federal.

**Grant of Stock Awards to Management of Alpena Banking Corporation.** Pursuant to the terms of a restricted stock agreement entered into on the date of the Merger Agreement between Alpena Banking Corporation and Craig A. Kus, President and Chief Executive Officer of Alpena Banking Corporation, at the effective time of the Merger, Mr. Kus will be granted 10,500 shares of Alpena Banking Corporation common stock which at the effective time of the Merger, will be exchanged for the same merger consideration as all other shares of Alpena Banking Corporation common stock.

**Indemnification.** Pursuant to the Merger Agreement, First Federal Bancorp has agreed that, for a period of six years following the effective time of the Merger, it will indemnify, defend and hold harmless each present and former officer or director of Alpena Banking Corporation and its subsidiaries, including an individual who becomes an officer or director of Alpena Banking Corporation or its subsidiaries prior to the closing of the Merger, against all losses, claims, damages, costs, expenses (including attorney's fees), liabilities, judgments or amounts that are paid in settlement of or in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal or administrative, based in whole or in part or arising in whole or in part out of the fact that such person is or was a director or officer of Alpena Banking Corporation or any of its subsidiaries if such claim pertains to any matter of fact arising, existing or occurring at or before the closing of the Merger (including, without limitation, the Merger and

other transactions contemplated by the Merger Agreement), regardless of whether such claim is asserted or claimed before or after the effective time of the Merger.

***Directors' and Officers' Insurance.*** First Federal Bancorp has further agreed, for a period of three years after the effective time of the Merger, to maintain, or to cause First Federal to maintain, the current directors' and officers' liability insurance policies covering the officers and directors of Alpena Banking Corporation (provided, that Alpena Banking Corporation may substitute policies of at least the same coverage containing terms and conditions which are not materially less favorable) with respect to matters occurring at or prior to the effective time of the Merger. First Federal Bancorp is not required to spend, in the aggregate, more than 100% of the annual premiums currently paid by Alpena Banking Corporation for its insurance coverage.

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**Employee Matters**

First Federal Bancorp will review all Alpena Banking Corporation compensation and benefit plans to determine whether to terminate or continue such plans. In the event employee compensation and/or benefits as currently provided by Alpena Banking Corporation or Bank of Alpena are changed or terminated by First Federal Bancorp, in whole or in part, First Federal Bancorp shall provide continuing employees with compensation and benefits that are, in the aggregate, substantially similar to the compensation and benefits provided to similarly situated employees of First Federal as of the date any such compensation or benefit is provided. Employees of Alpena Banking Corporation or Bank of Alpena who become participants in any First Federal Bancorp or First Federal compensation and benefit plan shall, for purposes of determining eligibility for and for any applicable vesting periods of such employee benefits only (and not for benefit accrual purposes unless specifically set forth herein) be given credit for service as an employee of Alpena Banking Corporation or any predecessor thereto prior to the closing of the Merger, and provided further, that credit for benefit accrual purposes will be given only for purposes of First Federal Bancorp vacation policies or programs and for purposes of the calculation of severance benefits under any severance compensation plan of First Federal Bancorp.

Any employee of Bank of Alpena, other than an employee who is a party to an employment agreement, change in control agreement or other separation agreement that provides a benefit on a termination of employment, whose employment is terminated involuntarily (other than for cause) within one year following the completion of the merger of First Federal and Bank of Alpena (the "Bank Merger"), shall receive a lump sum severance payment from First Federal Bancorp equal to one week's pay at the rate then in effect, for each full year of employment with Bank of Alpena, subject to a minimum of four weeks and a maximum of 26 weeks, provided that such employee enters into a release of claims against Bank of Alpena and First Federal in a form satisfactory to First Federal. Such Bank of Alpena employees will have the right to continued health coverage under group health plans of First Federal in accordance with the Internal Revenue Code.

Operations of First Federal after the Merger

The Merger Agreement provides for the merger of Alpena Banking Corporation with and into First Federal Bancorp, with First Federal Bancorp as the surviving entity. At the effective time of the Merger or as soon as practicable thereafter, First Federal Bancorp intends to merge Bank of Alpena with and into First Federal with First Federal as the surviving entity. Bank of Alpena's office located at 468 North Ripley Boulevard, Alpena, Michigan will remain open as an office of First Federal, and it is expected that First Federal will close its banking office located at 300 South Ripley Boulevard, Alpena, Michigan. The closing of First Federal's Ripley Boulevard branch office will occur either at the effective time of the Merger or at a later date depending upon the date of the data conversion system of Bank of Alpena's office to the First Federal system.

Resale of Shares of First Federal Bancorp Common Stock

All shares of First Federal Bancorp common stock issued to Alpena Banking Corporation's stockholders in connection with the Merger will be freely transferable. This joint proxy statement/prospectus does not cover any resales of the shares of First Federal Bancorp common stock to be received by Alpena Banking Corporation's stockholders upon completion of the Merger, and no person may use this joint proxy statement/prospectus in connection with any resale.

#### Time of Completion

Unless the parties agree otherwise and unless the Merger Agreement has otherwise been terminated, the closing of the Merger will take place on a date designated by First Federal Bancorp that is no later than 20 business days following the date on which all of the conditions to the Merger contained in

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the Merger Agreement are satisfied or waived. See “ – Conditions to Completing the Merger.” On the closing date, First Federal Bancorp will file Articles of Merger with the Maryland State Department of Assessments and Taxation merging Alpena Banking Corporation into First Federal Bancorp. The Merger will become effective at the time stated in the Articles of Merger.

First Federal Bancorp and Alpena Banking Corporation are working to complete the Merger quickly. It is currently expected that the Merger will be completed during the third quarter of 2014. However, because completion of the Merger is subject to regulatory approvals and other conditions, the parties cannot be certain of the actual timing.

Conditions to Completing the Merger

First Federal Bancorp’s and Alpena Banking Corporation’s obligations to consummate the Merger are conditioned on the following:

- approval of the Merger Agreement by Alpena Banking Corporation’s stockholders;

- approval of the Merger Agreement by First Federal Bancorp’s stockholders;

- receipt of all required regulatory approvals without any materially adverse conditions and the expiration of all statutory waiting periods;

- neither Alpena Banking Corporation nor Bank of Alpena being subject to any order, decree or injunction that enjoins or prohibits consummating the transaction, no governmental entity having instituted any proceeding to block the transaction and the absence of any statute, rule or regulation that prohibits completion of any part of the transaction;

- the registration statement of which this joint proxy statement/prospectus forms a part being declared effective by the Securities and Exchange Commission, the absence of any pending or threatened proceeding by the Securities and Exchange Commission to suspend the effectiveness of the registration statement;

- receipt by each party of all consents and approvals from third parties (other than those required from government agencies) required to complete the Merger, unless failure to obtain those consents or approvals would not have a material adverse effect on First Federal Bancorp after completion of the Merger;

receipt by each party of an opinion from counsel to the effect that the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code;

no material adverse effect on either party has occurred, whether from Alpena Banking Corporation, First Federal Bancorp or a combination of the two;

the other party having performed in all material respects its obligations under the Merger Agreement, the other party's representations and warranties being true and correct as of the date of the Merger Agreement and as of the closing date, and receipt of a certificate signed by the other party's chief executive officer and chief financial officer to that effect; and

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the shares of First Federal Bancorp common stock issuable pursuant to the Merger being approved for listing on The Nasdaq Capital Market.

First Federal Bancorp and Alpena Banking Corporation cannot guarantee that all of the conditions to the Merger will be satisfied or waived by the party permitted to do so.

Conduct of Business before the Merger

Alpena Banking Corporation has agreed that, until completion of the Merger and unless permitted by First Federal Bancorp, neither it nor Bank of Alpena will:

***General Business***

take any action that would materially adversely affect the ability of the parties to obtain regulatory and governmental approvals of the transactions contemplated by the Merger Agreement or delay the receipt of such approvals, or materially adversely affect Alpena Banking Corporation's ability to perform its obligations under the Merger Agreement;

***Governing Documents***

amend its articles of incorporation or bylaws;

***Capital Stock***

change the number of authorized or issued shares of its capital stock;

issue any shares of stock or issue or grant any right or agreement of any character relating to its authorized or issued capital stock or any securities convertible into shares of such stock;

make any grant or award under its stock-based incentive plan or any other equity compensation plan or arrangement;

- split, combine or reclassify its capital stock;

- declare, set aside or pay any dividend or other distribution on its capital stock;

***Contracts***

enter into, amend in any material respect or terminate any contract or agreement except for any such contract or agreement that is for a term of twelve months or less or terminable at will without penalty, involves a cost in the aggregate of less than \$50,000, and is otherwise in the ordinary course of business;

waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material agreement or indebtedness to which Alpena Banking Corporation is a party;

- enter into, renew, extend or modify any transaction with an affiliate (other than a deposit transaction);



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enter into any hedging transaction;

***Branches/Merger***

open or close any branch or automated banking facility or file an application to do the same;

merge or consolidate Alpena Banking Corporation or any of its subsidiaries with any other corporation; sell or lease all or any substantial portion of the assets or business of Alpena Banking Corporation or any of its subsidiaries; make any acquisition of all or any substantial portion of the business or assets of any other entity other than in connection with foreclosures, settlements in lieu of foreclosure, troubled debt restructuring or the collection of any loan or credit arrangement; or enter into a purchase and assumption transaction with respect to deposits and liabilities;

***Employees***

grant or agree to pay any bonus, severance or termination to, or enter into, renew or amend any employment agreement, severance agreement and/or supplemental executive agreement with, or increase in any manner the compensation or fringe benefits of, any of its directors, officers, or employees, except (i) as may be required pursuant to existing commitments, (ii) for pay increases in the ordinary course of business consistent with past practice to non-executive officer employees;

hire or promote any employee to a rank having a title of vice president or other more senior rank or hire any new employee with an annual rate of compensation in excess of \$50,000; provided, however, that Alpena Banking Corporation Bancorp may hire at-will, non-officer employees to fill vacancies that may arise in the ordinary course of business;

enter into or, except as may be required by law, materially modify any pension, retirement, stock option, stock purchase, stock appreciation right, stock grant, savings, profit sharing, deferred compensation, supplemental retirement, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any of its directors, officers or employees; or make any contributions to any defined contribution plan not in the ordinary course of business consistent with past practice;

take any action that would give rise to a right of payment to any individual under any employment agreement or to an acceleration of the right to payment under any compensation and benefit plan;

***Dispositions/Indebtedness***

sell or dispose of any of its assets other than in the ordinary course of business consistent with past practice, or, except for transactions with the Federal Home Loan Bank of Indianapolis, subject any of its assets to a lien, pledge, security interest or other encumbrance other than in the ordinary course of business consistent with past practice; or incur any indebtedness for borrowed money (or guarantee any indebtedness for borrowed money), except in the ordinary course of business consistent with past practice;

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***Accounting and Other Policies***

change its method of accounting, except as required by U.S. generally accepted accounting principles or regulatory authorities responsible for regulating Alpena Banking Corporation or Bank of Alpena;

make any material change in policies with regard to: the extension of credit, or the establishment of reserves with respect to the possible loss thereon or the charge off of losses incurred thereon; investments; asset/liability management; deposit pricing or gathering; or other material banking policies except as may be required by changes in applicable law or regulations, U.S. generally accepted accounting principles or a regulatory authority;

***Investment in Securities***

purchase any securities other than in accordance with Alpena Banking Corporation's investment policy and in the ordinary course of business consistent with past practice;

***Loans/Servicing***

other than pursuant to commitments issued prior to the date of the Merger Agreement that have not expired and that have been disclosed to First Federal Bancorp, and the renewal of existing lines of credit, make any new loan or other credit facility commitment other than in accordance with Bank of Alpena's existing lending policies and in the ordinary course of business consistent with past practice, provided that the prior approval of First Federal Bancorp is required with respect to: (i) any new loan or credit facility commitment to any borrower or group of affiliated borrowers in an amount in excess of \$200,000 for a commercial real estate loan, \$200,000 for a construction loan, \$200,000 for a residential loan or whose credit exposure with Alpena Banking Corporation in the aggregate, exceeds \$400,000 prior to thereto or as a result thereof; and (ii) any new loan or credit facility commitment secured by any property located outside of Michigan;

purchase or sell any mortgage loan servicing rights;

***Capital Expenditures***

other than previously disclosed to First Federal Bancorp, or other than as necessary to maintain assets in good repair, make any capital expenditures in excess of \$25,000 individually or \$50,000 in the aggregate;

***Settling Claims***

pay, discharge, settle or compromise any claim, action, litigation, arbitration or proceeding against it except in the ordinary course of business consistent with past practice or except in consultation with First Federal Bancorp for an action that involves solely money damages in the amount not in excess of \$25,000 individually or \$50,000 in the aggregate, and that does not create negative precedent for other pending or potential claims, actions, litigation, arbitration or proceedings, or waive or release any material

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rights or claims, or agree to consent to the issuance of any injunction, decree, order or judgment restricting or otherwise affecting its business or operations;

***Environmental***

except where it is a participant and not the lead lender, foreclose upon or take a deed or title to any commercial real estate without first conducting a Phase I environmental assessment of the property or foreclose upon any commercial real estate if such environmental assessment indicates the presence of materials of environmental concern;

***Public Announcements***

issue any broadly distributed communication relating to the Merger to employees (including general communications relating to benefits and compensation) without prior consultation with First Federal Bancorp and, to the extent relating to employment after the closing of the Merger, benefit or compensation information without the prior consent of First Federal Bancorp (which shall not be unreasonably withheld, delayed or conditioned) or issue any broadly distributed communication to customers relating to the Merger without the prior approval of First Federal Bancorp (which shall not be unreasonably withheld, delayed or conditioned), except as required by law or for communications in the ordinary course of business consistent with past practice that do not relate to the Merger or other transactions contemplated by the Merger Agreement;

***Merger Agreement***

take any action or knowingly fail to take any reasonable action that would, or would reasonably likely to, prevent, impede or delay the Merger or the Bank Merger from qualifying as reorganizations under Section 368(a) of the Internal Revenue Code, except as may be required by applicable law or regulation;

***Other***

agree to do any of the foregoing actions.

First Federal Bancorp has agreed that, until completion of the Merger and unless permitted by Alpena Banking Corporation or as otherwise specified in the Merger Agreement, it will operate its business and First Federal's business in the usual, regular and ordinary course of business and use reasonable efforts to preserve intact its business organization and assets and maintain its rights and franchises, and it will not, subject to the exceptions and exclusions

set forth in the Merger Agreement:

Additionally First Federal Bancorp has agreed that it will not:

- change or waive any provision of its charter or bylaws in a manner that would materially and adversely affect the benefits of the Merger to the holders of Alpena Banking Corporation common stock;

- change the number of authorized or issued shares of its capital stock;

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issue any shares of stock or issue or grant any right or agreement of any character relating to its authorized or issued capital stock or any securities convertible into shares of such stock;

make any grant or award under any equity compensation plan or arrangement, or split, combine or reclassify any shares of capital stock, provided that First Federal Bancorp may issue shares of capital stock or rights, or make grants or awards, under equity compensation plans or arrangements that are existing as of the date of the Merger Agreement;

split, combine or reclassify its capital stock;

declare or pay any dividend or make any other distribution to First Federal Bancorp stockholders, whether in cash, stock or other property, except at such times and in such amounts as consistent with past practice, it being understood that the payment of dividends in amounts of up to \$0.02 per share per quarter shall be considered consistent with past practice;

merge or consolidate First Federal Bancorp with any other corporation in any transaction in which First Federal Bancorp is not the surviving company, unless the acquirer in such transaction expressly agrees to be bound by the Merger Agreement and, if such transaction is closed prior to the Merger, any appropriate adjustment is made to the exchange ratio so that the stockholders receive the same benefits of the First Federal Bancorp sale transaction as if they were stockholders of First Federal Bancorp at the time of the closing of the sale transaction;

voluntarily take any action that would result in its representation and warranties becoming untrue or in any of the conditions to closing the Merger not being satisfied, in each case as may be required by applicable law;

take any action that is intended or would reasonably be expected to adversely affect or materially delay the ability of First Federal Bancorp or Alpena Banking Corporation to obtain any regulatory approvals or approvals of government approvals required for the transactions contemplated by the Merger Agreement or to perform its covenants under the Merger Agreement;

take any action or knowingly fail to take any reasonable action that would, or would reasonably likely to, prevent, impede or delay the Mergers from qualifying as reorganizations under Section 368(a) of the Internal Revenue Code, except as may be required by applicable law or regulation; or

agree to take any of the foregoing actions.

Additional Covenants of Alpena Banking Corporation and First Federal Bancorp in the Merger Agreement

***Agreement Not to Solicit Other Proposals.*** Alpena Banking Corporation has agreed not to, and has agreed not to authorize or permit Bank of Alpena and their representatives to: (i) initiate, solicit, induce or knowingly encourage or facilitate any inquiry, offer or proposal that constitutes or could reasonably be expected to lead to an acquisition proposal by a third party, (ii) participate in discussions or



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negotiations regarding an acquisition proposal, or furnish or afford access to information with respect to Alpena Banking Corporation or otherwise relating to an acquisition proposal, (iii) release any person from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which Alpena Banking Corporation is a party; or (iv) enter into any agreement, agreement in principle or letter of intent with respect to any acquisition proposal or approve or resolve to approve any acquisition proposal or any agreement, agreement in principle or letter of intent relating to an acquisition proposal. Alpena Banking Corporation has also agreed that it will cause each of its representatives to immediately cease and cause to be terminated any and all existing discussions, negotiations, and communications with any persons with respect to any existing or potential acquisition proposal. An acquisition proposal means any offer or proposal or offer contemplating, relating to, or that could reasonably be expected to lead to an acquisition transaction, which is defined in the Merger Agreement as:

any transaction or series of transactions involving any merger, consolidation, recapitalization, share exchange, liquidation, dissolution or similar transaction involving Alpena Banking Corporation or Bank of Alpena;

any transaction pursuant to which any third party or group acquires or would acquire (whether through sale, lease or other disposition), directly or indirectly, any assets of Alpena Banking Corporation or Bank of Alpena representing, in the aggregate, twenty-five percent (25%) or more of the assets of Alpena Banking Corporation and Bank of Alpena on a consolidated basis;

any issuance, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing twenty-five percent (25%) or more of the votes attached to the outstanding securities of Alpena Banking Corporation or Bank of Alpena;

any tender offer or exchange offer that, if consummated, would result in any third party or group beneficially owning twenty-five percent (25%) or more of any class of equity securities of Alpena Banking Corporation or Bank of Alpena;

any transaction which is similar in form, substance or purpose to any of the foregoing transactions, or any combination of the foregoing

Notwithstanding the agreement of Alpena Banking Corporation not to solicit other acquisition proposals, the board of directors of Alpena Banking Corporation may generally participate in discussions or negotiations regarding any acquisition proposal or furnish, or otherwise afford access, to any person any information or data with respect to Alpena Banking Corporation or any of its subsidiaries or otherwise relating to an acquisition proposal if Alpena Banking Corporation has received a bona fide unsolicited, written acquisition proposal that did not result from Alpena Banking Corporation's breach of its obligations with respect to non-solicitation, provided that:

after consultation with and considering the advice from outside legal counsel and its independent financial advisor, the Alpena Banking Corporation board of directors determines, in good faith, there is a reasonable likelihood the acquisition proposal constitutes or is reasonably likely to lead to a “superior proposal,” defined below; and

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prior to furnishing or affording access to any information or data with respect to Alpena Banking Corporation or any of its subsidiaries or otherwise relating to an acquisition proposal, Alpena Banking Corporation receives a confidentiality agreement from that party with terms no less favorable to Alpena Banking Corporation than those contained in the confidentiality agreement between Alpena Banking Corporation and First Federal Bancorp. In addition, Alpena Banking Corporation must promptly provide to First Federal Bancorp any material, non-public information regarding Alpena Banking Corporation or its subsidiaries provided to any other person that was not previously provided to First Federal Bancorp, such additional information to be provided no later than the date of provision of such information to such other party.

A “superior proposal” means any bona fide written proposal (on its most recently amended or modified terms, if amended or modified) made by a third party to enter into an acquisition transaction on terms that the Alpena Banking Corporation board of directors determines in its good faith judgment, after consultation with and having considered the advice of outside legal counsel and a financial advisor: (i) would, if consummated, result in the acquisition of all, but not less than all, of the issued and outstanding shares of Alpena Banking Corporation common stock or all, or substantially all, of the assets of Alpena Banking Corporation and its subsidiaries on a consolidated basis; (ii) would result in a transaction that involves consideration to the holders of the shares of Alpena Banking Corporation common stock that is more favorable, from a financial point of view, than the consideration to be paid to Alpena Banking Corporation’s stockholders pursuant to the Merger Agreement, considering, among other things, the nature of the consideration being offered, and which proposal is not conditioned upon obtaining additional financing; and (iii) is reasonably likely to be completed on the terms proposed, in each case taking into account all legal, financial, regulatory and other aspects of the proposal, including any material regulatory approvals or other risks associated with the timing of the proposed transaction beyond or in addition to those specifically contemplated hereby.

If Alpena Banking Corporation receives a proposal or nonpublic information request from a third party, Alpena Banking Corporation must promptly notify First Federal Bancorp and provide First Federal Bancorp with information about the third party and its proposal.

***Certain Other Covenants.*** The Merger Agreement also contains other agreements relating to the conduct of First Federal Bancorp and Alpena Banking Corporation before consummation of the Mergers, including the following:

Alpena Banking Corporation will cause one or more of its representatives to confer with representatives of First Federal Bancorp and report the general status of Alpena Banking Corporation’s operations at such times as First Federal Bancorp may reasonably request;

Alpena Banking Corporation will promptly notify First Federal Bancorp of any material change in the normal course of its business or in the operation of its properties and, to the extent permitted by applicable law, of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the institution or the threat of material litigation involving Alpena Banking Corporation or any of its subsidiaries;

Bank of Alpena will meet with First Federal on a regular basis to discuss and plan for the conversion of Bank of Alpena's data processing and related electronic information systems. Under certain circumstances, in the event that Bank of Alpena takes, at the request of First Federal, any action relative to third parties to facilitate the conversion that results in the imposition of any termination

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fees or charges, First Federal will indemnify Bank of Alpena for any such fees and charges, and the costs of reversing the conversion process;

Bank of Alpena will provide First Federal, within 15 business days after the end of each calendar month, a written list of nonperforming assets (as defined in the Merger Agreement) and, on a monthly basis, Bank of Alpena will provide First Federal with a schedule of all loan approvals;

Alpena Banking Corporation will promptly inform First Federal Bancorp upon receiving notice of any legal, administrative, arbitration or other proceedings, demands, notices, audits or investigations relating to the alleged liability of Alpena Banking Corporation or any of its subsidiaries under any labor or employment law;

Alpena Banking Corporation will give First Federal Bancorp reasonable access during normal business hours to its books, records, properties, personnel and other information and will as First Federal Bancorp may reasonably request;

Alpena Banking Corporation will promptly furnish First Federal Bancorp with a copy of all documents filed pursuant to federal or state securities or banking laws, and all other information that First Federal Bancorp reasonably requests well as annual interim or special audits of the financial statements of Alpena Banking Corporation or its subsidiaries and all documents sent by Alpena Banking Corporation or its subsidiaries to Alpena Banking Corporation's stockholders, the FDIC, the DIFS or the Federal Reserve Board;

First Federal Bancorp and Alpena Banking Corporation will use their commercially reasonable best efforts to obtain all consents and approvals necessary or desirable to consummate the Mergers;

Subject to the terms and conditions contained in the Merger Agreement, First Federal Bancorp and Alpena Banking Corporation will use reasonable efforts to take all action necessary to consummate the transactions contemplated by the Merger Agreement;

Alpena Banking Corporation and Bank of Alpena will permit up to two representatives of First Federal Bancorp to attend any meetings of the board of directors of Alpena Banking Corporation or Bank of Alpena except that Alpena Banking Corporation and Bank of Alpena are not required to permit the First Federal Bancorp representative to remain present during any confidential discussion of the Merger Agreement and the transactions contemplated thereby or any third-party proposal to acquire control of Alpena Banking Corporation or Bank of Alpena or during any other matter that the respective board of directors has reasonably determined to be confidential with respect to First Federal Bancorp's participation;

Alpena Banking Corporation will take all steps necessary to convene a meeting of its stockholders to vote on the Merger Agreement. The Alpena Banking Corporation board of directors will recommend approval of the Merger Agreement to Alpena Banking Corporation stockholders and will use its reasonable best efforts to obtain the

stockholder approval required to approve the Merger Agreement. However, the Alpena Banking Corporation board of directors may withdraw, qualify or modify such recommendation if Alpena Banking Corporation has received a superior proposal (as described above in “ – Agreement Not to Solicit Other Proposals”), Alpena Banking Corporation has notified First Federal Bancorp as to the receipt of the superior proposal and Alpena Banking Corporation’s board of directors, after consultation with and based on the advice of its outside legal counsel and financial advisor, determines that the failure to take such actions would be reasonably likely to be inconsistent with its fiduciary duties to Alpena Banking Corporation’s stockholders under applicable law, taking

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into account any adjustments, modifications or amendment to the terms and conditions of the Merger Agreement that First Federal Bancorp may have committed to in writing (although First Federal Bancorp has no obligation to do so);

First Federal Bancorp will file a registration statement, of which this joint proxy statement/prospectus forms a part, with the Securities and Exchange Commission registering the shares of First Federal Bancorp common stock to be issued in the Merger to Alpena Banking Corporation stockholders;

Alpena Banking Corporation and First Federal Bancorp will cooperate with each other and use reasonable efforts to promptly prepare and file all necessary documentation to obtain all necessary regulatory approvals required to consummate the transactions contemplated by the Merger Agreement;

before completion of the Merger, First Federal Bancorp will notify the Nasdaq Stock Market of the additional shares of First Federal Bancorp common stock that First Federal Bancorp will issue in exchange for shares of Alpena Banking Corporation common stock.

In addition, each of First Federal Bancorp and Alpena Banking Corporation are subject to other customary covenants under the Merger Agreement. Please refer to the Merger Agreement, which is attached as **Appendix A** to this joint proxy statement/prospectus.

Representations and Warranties Made by First Federal Bancorp and Alpena Banking Corporation in the Merger Agreement

First Federal Bancorp and Alpena Banking Corporation have made certain customary representations and warranties to each other in the Merger Agreement relating to their businesses. For information on these representations and warranties, please refer to the Merger Agreement attached as **Appendix A** to this joint proxy statement/prospectus. The representations and warranties must be true in all material respects through the completion of the Merger unless the change does not have a material negative impact on the parties' business, financial condition or results of operations. See " – Conditions to Completing the Merger."

The representations and warranties contained in the Merger Agreement were made only for purposes of such agreement and are made as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed to by the contracting parties, including being qualified by disclosures between the parties. These representations and warranties may have been made for the purpose of allocating risk between the parties to the agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors as statements of factual information.

Each of First Federal Bancorp and Alpena Banking Corporation has made representations and warranties to the other regarding, among other things:

· corporate matters, including due organization and qualification;

· capitalization;

· authority relative to execution and delivery of the Merger Agreement and the absence of conflicts with, violations of, or a default under organizational documents or other obligations as a result of the transactions contemplated by the Merger Agreement;



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- approval by their boards of directors of the Merger Agreement and the transactions contemplated by the Merger Agreement;
- governmental filings and consents necessary to complete the Merger;
- the timely filing of regulatory reports, the absence of investigations by regulatory agencies and internal controls;
- financial statements;
- tax matters;
- the absence of any event or action that would constitute a material adverse effect since December 31, 2012;
- material contracts, leases and defaults;
- insurance matters;
- legal proceedings;
- compliance with applicable laws;
- environmental liabilities;
- brokers or financial advisor fees;
- loan portfolios;
- risk management instruments;
- related-party transactions;
- fiduciary accounts;

intellectual property;

information presented to the other party to be included in regulatory and securities filings; and

labor matters.

In addition, Alpena Banking Corporation has made other representations and warranties about itself to First Federal Bancorp as to:

the receipt of a fairness opinion from its financial advisor;

the absence of appraisal rights; and

the absence of any registration obligations with regard to Alpena Banking Corporation's common stock under the Securities Act.

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In addition, First Federal Bancorp has made other representations and warranties about itself to Alpena Banking Corporation as to:

the material compliance of filings made with the SEC pursuant to the Securities Act and Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act; and

the authorization, valid issuance and non-assessability of the shares of First Federal Bancorp to be issued pursuant to the Merger Agreement.

Unless otherwise specified in the Merger Agreement, the representations and warranties of each of First Federal Bancorp and Alpena Banking Corporation will expire upon the effective time of the Merger.

Terminating the Merger Agreement

The Merger Agreement may be terminated at any time before the completion of the Mergers as follows:

· by the written mutual agreement of First Federal Bancorp and Alpena Banking Corporation;

by the board of directors of either party, if the other party makes a misrepresentation, breaches a warranty or fails to fulfill a covenant that cannot be cured within 30 days following written notice to the party in default, provided that the terminating party is not in material breach of any of its representations, warranties, covenants or other agreements contained in the Merger Agreement;

by the board of directors of either party, if the Merger is not consummated by December 31, 2014, or a later date agreed to in writing by First Federal Bancorp and Alpena Banking Corporation, unless failure to complete the Merger by that time is due to a material breach of a representation, warranty, covenant or other agreement by the party seeking to terminate the Merger Agreement;

by the board of directors of either party, if the stockholders of either First Federal Bancorp or Alpena Banking Corporation fail to approve the transactions contemplated by the Merger Agreement;

by the board of directors of either party, if a required regulatory approval is denied or any court or governmental authority prohibits the consummation of any of the Mergers;

by the board of directors of either party if the other party does not publicly recommend in this joint proxy statement/prospectus approval of the Merger Agreement, or if either party withdraws its recommendation or modifies or qualifies its recommendation in a manner adverse to the other party;

by the board of directors of Alpena Banking Corporation if at any time before the approval of the Merger Agreement by Alpena Banking Corporation's stockholders: (i) Alpena Banking Corporation has received a superior proposal, and in accordance with the Merger Agreement, the board of directors of Alpena Banking Corporation has made a

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determination to terminate the Merger Agreement in order to accept such superior proposal; and (ii) Alpena Banking Corporation has paid the termination fee described below in “ – Termination Fee;”

by the board of directors of Alpena Banking Corporation if total stockholders' equity of First Federal Bancorp, on the last day of the month prior to the month of Closing, computed in accordance with GAAP, is less than \$22,060,000, adjusted to eliminate the effect of (x) transaction costs associated with Merger and the Bank Merger and (y) changes in accumulated other comprehensive income (loss);

by the board of directors of First Federal Bancorp if total stockholders' equity of Alpena Banking Corporation, on the last day of the month prior to the month of Closing, computed in accordance with GAAP, is less than \$6,307,000, adjusted to eliminate the effect of (x) transaction costs associated with Merger and the Bank Merger and (y) changes in accumulated other comprehensive income; or

by Alpena Banking Corporation in the event First Federal Bancorp shall, prior to the Effective Time, enter into any agreement, whether or not binding, to merge or consolidate First Federal Bancorp with any other corporation in any transaction in which First Federal Bancorp is not the surviving entity.

Termination Fee

The Merger Agreement requires Alpena Banking Corporation to pay First Federal Bancorp a fee of \$200,000 or, if greater, reimbursement up to \$400,000 for actual costs and expenses incurred by First Federal Bancorp relating to the Merger if the Merger Agreement is terminated in certain circumstances that involve a competing offer.

Specifically, Alpena Banking Corporation must pay the termination fee if:

Alpena Banking Corporation terminates the Merger Agreement to accept a superior proposal; or

if Alpena Banking Corporation enters into a definitive agreement relating to an acquisition proposal or consummates an Acquisition Proposal within 12 months of any of the following:

(i) First Federal Bancorp terminates the Merger Agreement due to a willful breach by Alpena Banking Corporation of its representations, warranties or covenants contained in the Merger Agreement;

(ii)

the board of directors of Alpena Banking Corporation does not publicly recommend in this joint proxy statement/prospectus that Alpena Banking Corporation stockholders approve the Merger Agreement or if, after recommending that stockholders approve the Merger Agreement, the board of directors withdraws its recommendation or modifies or qualifies its recommendation in a manner adverse to First Federal Bancorp; or

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- (iii) the Alpena Banking Corporation stockholders fail to approve the Merger Agreement after the public disclosure or public awareness of an acquisition proposal.

The Merger Agreement requires First Federal Bancorp to reimburse Alpena Banking Corporation for incurring the costs and expenses related to entering into the Merger Agreement and consummating the transactions contemplated by the Merger Agreement, for out-of-pocket legal, financial advisory, due diligence, printing, postage and consulting expenses incurred by Alpena Banking Corporation and Bank of Alpena in connection with the transactions contemplated by the Merger Agreement up to a maximum of \$200,000, if Alpena Banking Corporation terminates the Merger Agreement if the board of directors of First Federal Bancorp does not publicly recommend in this joint proxy statement/prospectus that First Federal Bancorp stockholders approve the Merger Agreement or if, after recommending that stockholders approve the Merger Agreement, the board of directors withdraws its recommendation or modifies or qualifies its recommendation in a manner adverse to Alpena Banking Corporation.

Expenses

Except as specifically provided in the Merger Agreement, each of First Federal Bancorp and Alpena Banking Corporation will pay its own costs and expenses incurred in connection with the Mergers.

Changing the Terms of the Merger Agreement

Before the completion of the Merger, First Federal Bancorp and Alpena Banking Corporation may agree to waive, amend or modify any provision of the Merger Agreement. However, after the vote by Alpena Banking Corporation stockholders, First Federal Bancorp and Alpena Banking Corporation can make no amendment or modification that would reduce the amount or alter the kind of consideration to be received by Alpena Banking Corporation's stockholders under the terms of the Merger Agreement.

DESCRIPTION OF FIRST FEDERAL BANCORP CAPITAL STOCK

The following summary describes the material terms of First Federal Bancorp's capital stock and is subject to, and qualified by, First Federal Bancorp's articles of incorporation and bylaws and the Maryland General Corporation Law ("MGCL"). See "Where You Can Find More Information" as to how to obtain a copy of First Federal Bancorp's articles of incorporation and bylaws.

General

First Federal Bancorp is currently authorized to issue 20,000,000 shares of common stock having a par value of \$0.01 per share, and 10,000,000 shares of preferred stock having a par value of \$0.01 per share. At \_\_\_\_\_, 2014, 2,884,049 shares of common stock were outstanding. At that date, no preferred shares were outstanding.



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Common Stock

***Voting Rights.*** The holders of common stock are entitled to one vote per share on all matters presented to stockholders. Holders of common stock are not entitled to cumulate their votes in the election of directors. First Federal Bancorp's articles of incorporation provides that a record owner of First Federal Bancorp's common stock who beneficially owns, either directly or indirectly, in excess of 10% of First Federal Bancorp's outstanding shares, is not entitled to any vote in respect of the shares held in excess of the 10% limit.

***No Preemptive or Conversion Rights.*** The holders of common stock do not have preemptive rights to subscribe for a proportionate share of any additional securities issued by First Federal Bancorp before such securities are offered to others. The absence of preemptive rights increases First Federal Bancorp's flexibility to issue additional shares of common stock in connection with First Federal Bancorp's acquisitions, employee benefit plans and for other purposes, without affording the holders of common stock a right to subscribe for their proportionate share of those additional securities. The holders of common stock are not entitled to any redemption privileges, sinking fund privileges or conversion rights.

***Dividends.*** First Federal Bancorp may pay dividends to an amount equal to the excess of its capital surplus over payments that would be owed upon dissolution to stockholders whose preferential rights upon dissolution are superior to those receiving the dividend, and to an amount that would not make First Federal Bancorp insolvent, as and when declared by its board of directors. The payment of dividends by First Federal Bancorp is also subject to limitations that are imposed by law and applicable regulation. The holders of common stock of First Federal Bancorp are entitled to receive and share equally in dividends as may be declared by its board of directors out of funds legally available therefor. If First Federal Bancorp issues shares of preferred stock, the holders thereof may have a priority over the holders of the common stock with respect to dividends.

First Federal Bancorp's principal assets and sources of income consist of investments in First Federal, which is a separate and distinct legal entity.

***Liquidation.*** Upon liquidation, dissolution or the winding up of the affairs of First Federal Bancorp, holders of common stock are entitled to receive their pro rata portion of the remaining assets of First Federal Bancorp after the holders of First Federal Bancorp' preferred stock, if any, have been paid in full any sums to which they may be entitled.

Preferred Stock

First Federal Bancorp's articles of incorporation authorizes its board of directors, without stockholder action, to issue preferred stock in one or more series and to establish the designations, dividend rates and rights, dissolution or liquidation rights, preferences, price and terms and conditions on which shares may be redeemed, terms and conditions for conversion or exchange into any other class or series of the stock, voting rights and other terms. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of common stock and could have the effect of delaying, deferring or preventing a change in First Federal Bancorp's control.

#### Certain Articles of Incorporation and Bylaw Provisions Affecting Stock

First Federal Bancorp's articles of incorporation and bylaws contain several provisions that may make First Federal Bancorp a less attractive target for an acquisition of control by anyone who does not

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have the support of First Federal Bancorp's board of directors. Such provisions include, among other things, the requirement of a supermajority vote of stockholders or directors to approve certain business combinations and other corporate actions, several special procedural rules, a staggered board of directors, limitations on the calling of special meetings of stockholders, a vote limitation provision. The foregoing is qualified in its entirety by reference to First Federal Bancorp's articles of incorporation and bylaws.

Restrictions on Ownership

Under the federal Change in Bank Control Act, a notice must be submitted to the OCC if any person (including a company), or group acting in concert, seeks to acquire "control" of a savings and loan holding company or savings association. An acquisition of "control" can occur upon the acquisition of 10% or more of the voting stock of a savings and loan holding company or savings institution or as otherwise defined by the OCC. Under the Change in Bank Control Act, the OCC has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effects of the acquisition. Any company that so acquires control would then be subject to regulation as a savings and loan holding company.

Transfer Agent and Registrar

The Transfer Agent and Registrar for First Federal Bancorp's common stock is Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016.

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COMPARISON OF RIGHTS OF STOCKHOLDERS

General

First Federal Bancorp is incorporated under the laws of the State of Maryland, and the rights of First Federal Bancorp shareholders are governed by the applicable laws of Maryland and the First Federal Bancorp articles of incorporation and bylaws. Alpena Banking Corporation is incorporated under the laws of the State of Michigan, and the rights of Alpena Banking Corporation shareholders are governed by the laws of Michigan and the Alpena Banking Corporation articles of incorporation and bylaws. Upon consummation of the merger, Alpena Banking Corporation shareholders will become First Federal Bancorp shareholders, and First Federal Bancorp's articles, bylaws, and Maryland law will govern their rights as First Federal Bancorp shareholders.

The following summary discusses the material differences between the current rights of First Federal Bancorp shareholders and Alpena Banking Corporation shareholders under the First Federal Bancorp articles and bylaws and the Alpena Banking Corporation articles and bylaws, as applicable.

**Authorized Capital Stock**

**First Federal Bancorp**

First Federal Bancorp is authorized to issue up to 30,000,000 shares of capital stock, of which 20,000,000 shares are common stock and 10,000,000 shares are preferred stock.

As of \_\_\_\_\_, there were 2,884,049 shares of First Federal Bancorp common stock issued and outstanding and no shares of First Federal Bancorp preferred stock issued and outstanding.

**Alpena Banking Corporation**

Alpena Banking Corporation is currently authorized to issue up to 2,000,000 shares of common stock and no shares of preferred stock.

As of \_\_\_\_\_, there were 533,700 shares of Alpena Banking Corporation common stock issued and outstanding.

**Preferred Stock**

**First Federal Bancorp**

First Federal Bancorp is authorized to issue up to 10,000,000 shares of preferred stock. The First Federal Bancorp board of directors is authorized to issue the preferred stock in series

**Alpena Banking Corporation**

Alpena Banking Corporation is not

and to fix and state the voting powers, designations, preferences, and other rights and limitations of the shares of each such series. However, the First Federal Bancorp board of directors has not issued any shares of preferred stock. authorized to issue preferred stock.

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**Voting Rights**

**First Federal Bancorp**

*Voting Power.* The holders of the common stock exclusively possess all voting power, subject to the authority of the board of directors to offer voting rights to the holders of preferred stock.

*One Vote.* Each share of common stock is entitled to one vote.

*No Cumulative Voting.* Holders of common stock may not cumulate their votes for the election of directors.

*Restrictions on Voting Rights of Stockholders Who Beneficially Own In Excess of 10% of the Outstanding Stock.* First Federal Bancorp's articles of incorporation provide that in no event will any record holder of any outstanding common stock which is beneficially owned, directly or indirectly, by a person who beneficially owns more than 10% of the then outstanding shares of common stock, be entitled or permitted to vote any of the shares held in excess of the 10% limit.

*Business Combinations.* First Federal Bancorp's board of directors must adopt a resolution which declares that a business combination is advisable and directing that the transaction be submitted for consideration at an annual or special meeting of shareholders. The business combination must be approved by the affirmative vote of two-thirds of all the votes entitled to be cast by the shareholders.

In the event that a proposed business combination involves an interested shareholder, First Federal Bancorp's bylaws provide that the business combination must be approved by at least 80% of the outstanding shares of common stock, unless the business

**Alpena Banking Corporation**

*Voting Power.* The holders of the common stock exclusively possess all voting power, subject to the authority of the board of directors to offer voting rights to the holders of preferred stock.

*One Vote.* Each share of common stock is entitled to one vote.

*No Cumulative Voting.* Holders of common stock may not cumulate their votes for the election of directors.

*Business Combinations.* Alpena Banking Corporation's Board of Directors must adopt a resolution recommending the business combination and directing that the transaction be submitted for consideration at an annual or special meeting of shareholders. The business combination must be approved by the affirmative vote of a majority of all the votes entitled to be cast by the shareholders.



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combination has been approved by resolution of a majority of the disinterested directors and certain other conditions have been met.

**Preemptive Rights**

**First Federal Bancorp**

*No Preemptive Rights.* Shareholders do not have a preemptive right to acquire First Federal Bancorp's issued shares.

**Alpena Banking Corporation**

*No Preemptive Rights.* Shareholders do not have a preemptive right to acquire Alpena Banking Corporation's issued shares.

**Dividends**

**First Federal Bancorp**

*Board May Pay Dividends.* First Federal Bancorp's ability to pay dividends depends, to a large extent, upon First Federal's ability to pay dividends to First Federal Bancorp, which is restricted by federal regulations and by federal income tax considerations related to federally-chartered savings associations.

**Alpena Banking Corporation**

*Board May Pay Dividends.* Alpena Banking Corporation's ability to pay dividends depends, to a large extent, upon Bank of Alpena's ability to pay dividends to Alpena Banking Corporation, which is restricted by Michigan law, federal regulations, and federal and state income tax considerations.

Holders of common stock are entitled, when declared by the First Federal Bancorp board of directors, to receive dividends, subject to the rights of holders of preferred stock to receive dividends. Under Maryland law, a corporation, subject to any restriction in its articles of incorporation, may make any distribution authorized by the board of directors unless, after the distribution, the corporation would not be able to pay its debts as they have become due in the usual course of business or the corporation's total assets would be less than the sum of its total liabilities, plus the amount that would be needed if the corporation were dissolved at the time of the distribution to satisfy senior liquidation preferences.

As a Michigan corporation, Alpena Banking Corporation may pay dividends and make other distributions at such times, in such amounts, to such persons, for such consideration, and upon such terms and conditions as its board of directors may determine, subject to all statutory restrictions.



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**Director Elections, Terms and Restrictions Upon Directors**

**First Federal Bancorp**

*Number of Directors.* The bylaws provide that the number of directors shall be fixed by resolution of the board of directors and shall not be less than one (1) member.

*Director Classes.* The board of directors is divided into three classes as equal in number as possible and approximately one-third of the directors are elected at each annual meeting.

*Vacancies.* Vacancies created by an increase in the number of directorships or the death, resignation or removal of a director may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred and until a successor is elected and qualifies.

*Removal.* As provided in First Federal Bancorp's articles of incorporation, subject to the rights of the holders of preferred stock, any director may be removed from office for cause by the affirmative vote of the holders of at least 80% of the outstanding shares of common stock.

**Meeting of the Shareholders; Quorum**

**First Federal Bancorp**

*Special Meeting.* Special meetings may be called by the President, the board of directors, or by the Secretary upon written request of holders of a majority of the voting power of all shares entitled to vote at the meeting.

**Alpena Banking Corporation**

*Number of Directors.* The bylaws provide that the number of directors shall be fixed by resolutions of the Board of Directors and shall not be less than three (3) members.

*Director Classes.* The board of directors is divided into three classes as equal in number as possible and approximately one-third of the directors are elected at each annual meeting.

*Vacancies.* Vacancies created by an increase in the number of directorships or the death, resignation or removal of a director may be filled by a majority vote of the remaining directors in office, even if the remaining directors do not constitute a quorum. Any director elected to fill a vacancy shall hold office until the next shareholder meeting.

*Removal.* A director may be removed for cause at an annual or special meeting of shareholders by a majority vote of the outstanding stock.

**Alpena Banking Corporation**

*Special Meeting.* A special meeting of Alpena Banking Corporation may be called by the President, the Chairman of the board of directors, or a majority of the board of directors.

First Federal Bancorp must deliver notice

Alpena Banking Corporation must deliver notice of the meeting, and, in the case of a

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of the meeting and, in the case of a special meeting, a description of its purpose, no fewer than 10 days and no more than 90 days before the meeting to each shareholder entitled to vote.

*Record Date.* For purposes of determining shareholders entitled to vote at a meeting, the board of directors may fix a record date that is not more than 90 days before the meeting.

*Quorum.* The attendance by person or by proxy of a majority of the votes entitled to be cast on the matter shall constitute quorum.

*Nominating Directors and Shareholder Proposals.* First Federal Bancorp's bylaws provide that any shareholders desiring to make a nomination for the election of directors or a proposal for new business at a meeting of shareholders must submit written notice to First Federal Bancorp at least 90 days prior and not earlier than 120 days prior to the anniversary date of the proxy statement relating to the previous year's annual meeting. However, if the meeting is advanced by more than 20 days or delayed by more than 60 days from the anniversary date of the previous year's annual meeting, notice by the shareholders is timely if received not earlier than 120 days from the date of the annual meeting and not later than either (i) 90 days prior to the date of the annual meeting or (ii) the 10<sup>th</sup> day following (a) the date on which notice of the date of the annual meeting was mailed or (b) the date on which public announcement of the date of the annual meeting was first made by First Federal Bancorp.

special meeting, a description of the purpose, no fewer than 10 days and no more than 60 days prior to the meeting.

*Record Date.* For purposes of determining shareholders entitled to vote at a meeting, the board of directors may fix a record date that is not more than 60 days and not less than 10 days before the meeting.

*Quorum.* The attendance by person or by proxy of a majority of the votes entitled to be cast on the matter shall constitute quorum.

*Nominating Directors and Shareholder Proposals.* A shareholder who has been a record holder of at least one percent (1.0%) of Alpena Banking Corporation's common stock for a period of not less than one (1) year may submit a proposal to the Board of Directors, provided that the submission is given not less than 120 days prior to an annual or special meeting of the shareholders. The Board of Directors shall have the discretion as to whether or not to include the shareholder proposal. Shareholders who are record holders of at least one tenth of Alpena Banking Corporation's outstanding common stock may petition the court for a special meeting, which may be granted by the court for good cause shown.

**Limitation on Directors' and Officers' Liability**

**First Federal Bancorp**

First Federal Bancorp's articles of incorporation provide that directors and

**Alpena Banking Corporation**

Alpena Banking Corporation's articles of incorporation provide that directors will

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officers will not be personally liable for monetary damages to First Federal Bancorp for certain actions as directors or officers, except for (i) receipt of an improper personal benefit, (ii) actions or omissions that are determined to have materially involved active and deliberate dishonesty, or (iii) to the extent allowed by Maryland law.

not be personally liable for monetary damages to Alpena Banking Corporation for breach of their fiduciary duties, with the exception that directors may be held liable for the declaration of a dividend, distribution or loan that is restricted by the articles of incorporation or Michigan law.

**Indemnification**

**First Federal Bancorp**

First Federal Bancorp's articles of incorporation provide that it shall indemnify (i) its current and former directors and officers to the fullest extent required or permitted by Maryland law, including the advancement of expenses, and (ii) other employees or agents to such extent as shall be authorized by the board of directors and Maryland law, all subject to any applicable federal law. Maryland law allows First Federal Bancorp to indemnify any person for expenses, liabilities, settlements, judgments and fines in suits in which such person has been made a party by reason of the fact that he or she is or was a director, officer or employee of First Federal Bancorp.

No such indemnification may be given if the acts or omissions of the person are adjudged to be in bad faith and material to the matter giving rise to the proceeding, if such person is liable to the corporation for an unlawful distribution, or if such person personally received a benefit to which he or she was not entitled. The right to indemnification includes the right to be paid the expenses incurred in advance of final disposition of a proceeding.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling First Federal Bancorp

**Alpena Banking Corporation**

Alpena Banking Corporation's bylaws provide that every person who is or was a director or executive officer of Alpena Banking Corporation (or a subsidiary thereof) shall be indemnified by Alpena Banking Corporation to the fullest extent permitted by law in connection with any actual or threatened civil, criminal, administrative or investigative action, suit or proceeding provided that such director or executive officer acted in good faith and in a manner he or she reasonably believed to be in the best interest of Alpena Banking Corporation and, in the case of criminal proceedings, that the director or executive officer had no reasonable cause to believe his or her conduct was unlawful.

No indemnification may be given where the director or executive officer has not been found by a majority vote of the disinterested directors to have acted in good faith and in a manner he or she reasonably believed to be in the best interest of Alpena Banking Corporation, or, in the case of criminal proceedings, a failure by the disinterested directors to determine that the director or executive officer had reasonable cause to believe his or her conduct was unlawful. Furthermore, no indemnification may be made by Alpena Banking Corporation where the director or executive officer is found liable to Alpena Banking

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pursuant to the foregoing provisions, First Federal Bancorp has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable. Corporation.

**Appraisal Rights**

**First Federal Bancorp**

Maryland law provides that a shareholder is not entitled to appraisal rights in any transaction where the relevant stock is listed on a national securities exchange or the Nasdaq Global Market or Nasdaq Capital Market, even if the consideration to be paid in the Merger consists of cash. Maryland law also permits a company, in its articles of incorporation, to deny appraisal rights to all shareholders. First Federal Bancorp's articles of incorporation deny appraisal rights to all shareholders.

**Alpena Banking Corporation**

Under Michigan law, a shareholder is not entitled to appraisal rights in any transaction where the shareholder will receive as merger consideration cash, stock listed on a national securities exchange, or a combination thereof.

**Amendment of Articles of Incorporation and Bylaws**

**First Federal Bancorp**

Amendments to the articles of incorporation must be approved by the board of directors and by the affirmative vote of at least two-thirds of the outstanding shares of common stock, or by the affirmative vote of a majority of the outstanding shares of common stock if at least two-thirds of the members of the whole board of directors approves such amendment; provided, however, that approval by at least 80% of the outstanding voting stock is generally required to amend certain provisions.

**Alpena Banking Corporation**

Under Alpena Banking Corporation's bylaws, the board of directors may adopt, amend or repeal the Alpena Banking Corporation bylaws.

The articles of incorporation also provide that the bylaws may be amended by the affirmative vote of a majority of First Federal Bancorp's directors or by the shareholders by the affirmative vote of at least 80% of the total votes eligible to be cast at a duly constituted meeting of shareholders. Any amendment of this

Under Alpena Banking Corporation's articles of incorporation, the articles may be amended by resolution of the board of directors, provided, however, that approval of the shareholders is required to amend certain provisions of the articles of incorporation.

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super-majority requirement for amendment of the bylaws would also require the approval of 80% of the total votes eligible to be cast.

### INFORMATION WITH REGARD TO ALPENA BANKING CORPORATION

The consolidated financial statements at and for the quarter ended March 31, 2014 (unaudited) and the consolidated financial statements of Alpena Banking Corporation at and for the years ended December 31, 2013 and 2012 are contained in **Appendix D** of this joint proxy statement/prospectus. Set forth below is additional financial and other information about Alpena Banking Corporation and Bank of Alpena.

#### **Description of Alpena Banking Corporation's Business**

Alpena Banking Corporation is a Michigan corporation incorporated on March 26, 2001, and a registered bank holding company under the Federal Bank Holding Company Act. As a registered bank holding company, Alpena Banking Corporation is subject to regulation, examination and oversight by the Federal Reserve Board. Alpena Banking Corporation is the parent holding company for its wholly owned subsidiary, Bank of Alpena, which was formed on March 26, 2001.

Bank of Alpena is a Michigan-chartered commercial bank regulated by the Federal Deposit Insurance Corporation (FDIC) and the State of Michigan Department of Insurance and Financial Services ("DIFS"), with its sole banking office located at 468 North Ripley Boulevard, Alpena, Michigan 49707.

Bank of Alpena derives its revenue primarily from interest on loans, interest and dividends from its investments, and income from service charges and fees on deposit accounts and financial services. Bank of Alpena offers a full range of commercial bank services. These include checking and savings accounts, certificates of deposit, individual retirement accounts, agricultural, small business, and commercial and consumer loans, home mortgages and commercial real estate loans, home equity lines, trust and investment services, safe deposit boxes, drive-through banking, automated teller machines (ATM), credit and debit cards, and other business and consumer services.

#### **Market Price of and Dividends on Shares of Alpena Banking Corporation Common Stock**

Alpena Banking Corporation common shares are not traded on an established market. Alpena Banking Corporation common shares are traded infrequently and sporadically in privately negotiated transactions. There were no trades

during 2012 and two trades in 2013. The average amount of shares traded was 300, and the average sale price was \$11.00 per share. Alpena Banking Corporation has not paid a dividend since its inception.

As of March 31, 2014, Alpena Banking Corporation had 228 registered shareholders and 533,700 common shares outstanding.

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**Alpena Banking Corporation Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Critical Accounting Policies**

Alpena Banking Corporation has established various accounting policies which govern the application of U.S. GAAP in the preparation of its financial statements. Certain accounting policies involve significant judgments and assumptions by management which has a material impact on the reported amount of assets, liabilities, capital, revenues and expenses and related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. A company's critical accounting policies include those that are most important to the portrayal of the company's financial condition and results of operations and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates on matters that are inherently uncertain. Because of the nature of the judgments and assumptions made by management, actual results could differ from estimates and have a material impact on the carrying value of assets, liabilities, capital or the results of operations of Alpena Banking Corporation.

Alpena Banking Corporation believes the allowance for loan losses is a critical accounting policy that requires the most significant judgments and estimates used in the preparation of its consolidated financial statements. Adequacy of the allowance for loan losses is determined quarterly using a consistent, systematic methodology which analyzes the risk inherent in the loan portfolio. In addition to evaluating the collectability of specific loans when determining the adequacy of the allowance, management also takes into consideration other qualitative factors such as changes in the mix and size of the loan portfolio, historical loss experience, the amount of delinquencies and loans adversely classified, industry trends, and the impact of the local and regional economy on the Company's borrowers. Changes in these qualitative factors may cause management's estimate of the adequacy of the allowance for loan losses to increase or decrease and result in adjustments to Alpena Banking Corporation's provision for loan losses in future periods.

**Capital Resources**

Federally insured financial institutions, such as Bank of Alpena, are subject to regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to



represent overall financial condition. If inadequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At March 31, 2014, Bank of Alpena was categorized as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events that management believes have changed the institution's category.

## **Liquidity**

Liquidity refers to Alpena Banking Corporation's ability to generate sufficient cash to fund current loan demand, meet deposit withdrawals, pay operating expenses and meet other obligations. Alpena Banking Corporation's primary sources of liquidity are cash and cash equivalents, which totaled

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\$ 5.2 million at March 31, 2014 and \$7.7 million at December 31, 2013, respectively. Securities available-for-sale and loan repayments also serve as sources of liquidity. Other sources of liquidity include, but are not limited to, advances from the FHLB and FRB and adjustments of interest rates to attract deposits. Management believes that its sources of liquidity are adequate to meet cash flow obligations for the foreseeable future.

### **Comparison of Financial Condition at March 31, 2014 and December 31, 2013**

Total assets decreased to \$69.9 million at March 31, 2014 from \$73.2 million at December 31, 2013. Total assets averaged \$71.5 million for the three months ended March 31, 2014. Historically commercial deposit balances decline in the first calendar quarter as customers meet their tax obligations. Additionally with the lack of loan demand and declining margins Bank of Alpena has priced its certificate of deposit offerings below the market and not all maturing certificates of deposit are renewing.

Net loans decreased \$1. 4 million, or 3. 6 %, to \$37. 3 million at March 31, 2014, from \$38.7 million at December 31, 2013. Bank of Alpena saw declines across all loan portfolio segments in the persistently challenging economy in our market area. Cash and cash equivalents decreased \$ 2.5 million to \$ 5.2 million at March 31, 2014 from \$7.7 million at December 31, 2013. The decrease reflects the normal daily fluctuations in the amount of cash letters and overnight investments. Investment securities increased \$ 676 ,000, or 2.9 %, to \$ 23.6 million at March 31, 2014, from \$22.9 million at December 31, 2013, as management deployed available deposits into these instruments due to the lack of loan demand.

Deposits decreased \$3.3 million, or 5.0%, to \$62.7 million at March 31, 2014 from \$66.0 million at December 31, 2013. Historically commercial deposit balances decline in the first calendar quarter as those customers meet their tax obligations. Bank of Alpena continued in the first quarter of 2014 to manage the level of its deposits and capital to maintain its required Tier 1 Capital ratio.

### **Comparison of Financial Condition at December 31, 2013 and 2012**

Total assets decreased to \$73.2 million at December 31, 2013 from \$85.4 million at December 31, 2012. Total assets averaged \$72.4 million for the twelve months ended December 31, 2013, compared to average assets of \$72.0 million for the twelve months ended December 31, 2012. The decrease in total assets resulted primarily from large deposits aggregating approximately \$11.0 million, which were received on the last day of 2012. These deposits, which were invested in short-term liquid assets, did not remain on deposit at Bank of Alpena through 2013. Net loans decreased \$1.5 million, or 3.8%, to \$38.7 million at December 31, 2013, from \$40.2 million at December 31, 2012. Bank of Alpena saw declines across all loan portfolio segments with the exception of commercial loans not secured by real estate, where balances increased 7.7% to \$6.9 million at December 31, 2013, from \$6.4 million at December 31, 2012.

Residential mortgage loans decreased \$500,000, or 3.9%, to \$13.1 million at December 31, 2013, from \$13.7 million at December 31, 2012, as amortizations and payoffs exceeded new mortgage loans in the persistently challenging economy in our market area. Cash and cash equivalents decreased \$11.5 million to \$7.7 million at December 31, 2013, from \$19.2 million at December 31, 2012. The decrease resulted primarily from large deposits aggregating approximately \$11.0 million which were received on the last day of December 2012, and which were mostly withdrawn by the first quarter of 2013. The vast majority of these funds are invested in overnight interest-bearing accounts of other financial institutions. Investment securities increased \$1.4 million, or 6.7%, to \$22.9 million at December 31, 2013, from \$21.5 million at December 31, 2012, as management deployed increased deposits into these instruments due to the lack of loan demand.

As a result of the large, one-time deposits received at the end of 2012, deposits decreased \$11.9 million, or 15.3%, to \$66.0 million at December 31, 2013, from \$77.9 million at December 31, 2012.

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However, average deposits increased \$500,000 during 2013 versus 2012. There was disintermediation among deposit accounts as approximately \$3.0 million of certificates of deposit, or 4.5% of total deposits, moved upon maturity to more liquid transaction accounts. Bank of Alpena continued in 2013 to manage the level of its deposits and capital to maintain its required Tier 1 Capital ratio.

**Comparison of Operating Results for the Three Months Ended March 31, 2014 and 2013**

Net income decreased \$31,000, or 77.5%, to \$9,000 for the quarter ended March 31, 2014 from \$40,000 for the quarter ended March 31, 2013. Net interest income decreased \$17,000 to \$594,000 for the 2014 quarter, from \$611,000 for the 2013 quarter. The decrease resulted primarily from declining loan volumes period to period. Net interest income after provision for loan loss increased \$3,000, or 5.1%, to \$594,000 for the 2014 quarter from \$591,000 for the 2013 quarter. This was the result of no provision for loan losses in the first quarter of 2014 versus \$20,000 in provision for loan loss the first quarter of 2013. Our provision for loan losses declined in part due management's determination of the improved quality of our loan portfolio.

Noninterest income decreased \$6,000, or 6.1%, to \$91,000 for the quarter ended March 31, 2014 from \$97,000 for quarter ended March 31, 2013, primarily as a result of lower loan fee income earned during the 2014 quarter.

Noninterest expense increased \$46,000, or 7.3%, to \$676,000 during the quarter ended March 31, 2014, from \$630,000 during the quarter ended March 31, 2013, primarily as a result of the costs associated with proposed merger with First Federal Bancorp.

**Interest and Dividend Income.** Interest and dividend income decreased \$39,000, or 5.9%, to \$628,000 for the quarter ended March 31, 2014 from \$667,000 for the quarter ended March 31, 2013. Average interest-earning assets decreased \$467,000 in the first quarter of 2014, to \$67.6 million, compared to \$68.1 million during the same time period in 2013 and the average yield on interest-earning assets decreased to 3.71% in the 2014 quarter from 3.92% in the prior year period, due to lower market interest rates in the continuing low rate environment.

**Interest Expense.** Interest expense on deposits decreased to \$34,000 for the quarter ended March 31, 2014, from \$56,000 for the quarter ended March 31, 2013, due to the decline in the cost of funds. The average balance of interest-bearing deposits increased slightly, totaling \$49.9 million during the first quarter of 2014 compared to \$48.3 million during the first quarter of 2013. However, the average cost of these funds declined to 0.27% for the March 31, 2014 quarter from 0.46% for the March 31, 2013 quarter.

Net interest income decreased to \$594,000 for the quarter ended March 31, 2014, from \$611,000 for the quarter ended March 31, 2013. The decrease was due to a decrease in our average interest rate spread, to 3.44% for the 2014 period, from 3.46% for the 2013 period and a decrease in interest-earning assets period to period.

***Provision for Loan Losses.*** We recorded no provision for loan losses for the quarter ended March 31, 2014, compared to a provision of \$20,000 for the quarter ended March 31, 2013. We had net charge-offs of \$41,000 and \$0 during the 2014 and 2013 periods, respectively. Our provision is based on management's review of the components of the overall loan portfolio, the status of non-performing loans and various subjective factors. The ratio of allowance for loan and lease losses to total loans was 1.99% at March 31, 2014 and 2.13% at March 31, 2013.

***Noninterest Income.*** Noninterest income decreased \$6,000, or 6.1%, to \$91,000 for the quarter ended March 31, 2014 from \$97,000 for the quarter ended March 31, 2013. The 2014 quarter results

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reflect a decrease in service charges on deposit accounts and a decrease of \$5,000 in other noninterest income related to decreased mortgage banking activity.

**Noninterest Expense.** Noninterest expense increased \$46,000, or 6.8%, to \$676,000 for the quarter ended March 31, 2014 from \$630,000 for the quarter ended March 31, 2013, resulting primarily from an \$83,000 increase in other expenses primarily associated with the costs associated with the Merger with First Federal Bancorp, offset in part by a decrease of \$34,000 in salary and employee benefits due to staff reductions and a decrease of \$8,000 in loan and collection expenses for the 2014 quarter.

**Income Taxes.** We recognized federal income tax expense of \$0 for the quarter ended March 31, 2014 and \$17,500 for the quarter ended March 31, 2013. The decreased tax expense resulted from lower pre-tax income in the 2014 period versus the 2013 period.

**Comparison of Operating Results for the Years Ended December 31, 2013 and 2012**

Net income increased \$11,000 to \$88,600 in 2013, from \$77,300 in 2012. Net interest income decreased \$181,000 to \$2.4 million in 2013, from \$2.6 million in 2012. The decrease resulted primarily from a declining net interest margin and a decrease in loan volumes in 2013. Net interest income after provision for loan loss decreased \$211,000, or 8.2%, to \$2.4 million for 2013 from \$2.6 million for 2012. This was primarily a result of our increased provision for loan losses of \$61,000 for 2013 versus \$31,000 for 2012. Our provision for loan losses increased in part due to increased delinquencies in our consumer loan portfolio. Noninterest income decreased \$85,000, or 21.5%, to \$310,000 for 2013, from \$395,000 for 2012, primarily as a result of lower gains on sales of securities during 2013. Noninterest expense decreased \$313,000, or 10.9%, to \$2.6 million during 2013, from \$2.9 million during 2012, primarily as a result of reduced loan and collection expenses associated with foreclosed assets.

**Interest Income.** Interest income decreased \$270,000, or 9.3%, to \$2.6 million for the year ended December 31, 2013, from \$2.9 million for the year ended December 31, 2012. Average interest-earning assets increased \$200,000 in 2013, to \$67.3 million, compared to \$67.1 million in 2012; however, the average yield on interest-earning assets decreased to 3.71% in 2013 from 4.13% in 2012, due to market interest rates in the continuing low rate environment.

**Interest Expense.** Interest expense on deposits decreased to \$188,000 for the year ended December 31, 2013, from \$278,000 for the year ended December 31, 2012, due primarily to the decline in the cost of funds. The average balance of interest-bearing deposits remained relatively unchanged, totaling \$49.5 million in 2013 compared to \$49.4 million in 2012. However, the average cost of these funds declined to 0.24% for 2013 from 0.32% for 2012.

Net interest income decreased to \$2.4 million for the year ended December 31, 2013, from \$2.6 million for the year ended December 31, 2012. The decrease was primarily due to a decrease of 32 basis points in our average interest rate spread, to 3.44% for the year ended December 31, 2013, from 3.76% for the year ended December 31, 2012.

***Provision for Loan Losses.*** We recorded a provision for loan losses of \$61,000 for the year ended December 31, 2013, compared to a provision of \$30,500 for the year ended December 31, 2012. We had net charge-offs of \$93,000 and \$145,000 during 2013 and 2012, respectively. Our provision is based on management's review of the components of the overall loan portfolio, the status of non-performing loans and various subjective factors. The ratio of allowance for loan and lease losses to total loans was 2.03% at both December 31, 2013 and 2012.

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**Noninterest Income.** Noninterest income decreased to \$310,000 for the year ended December 31, 2013, from \$395,000 for the year ended December 31, 2012. The 2013 results reflected a decrease in net gains on sales of available-for-sale securities of \$2,000 for 2013 from \$140,000 in 2012. Offsetting this decrease in part was a smaller net loss on the sale of foreclosed assets, which decreased to (\$43,000) for the year ended December 31, 2013, from (\$80,000) for the year ended December 31, 2012. Other noninterest income, which includes income from the sale of non-insured deposit products and other miscellaneous income sources, increased to \$161,000 for the year ended December 31, 2013, from \$143,000 in 2012.

**Noninterest Expense.** Noninterest expense decreased to \$2.6 million for the year ended December 31, 2013, from \$2.9 million for the year ended December 31, 2012, resulting primarily from a decrease in classified assets of \$1.0 million, or 26.3%, to \$2.8 million at December 31, 2013 from \$3.8 million at December 31, 2012. These expense reductions were offset in part by approximately \$59,000 in merger-related expenses recognized in this category during 2013.

**Income Taxes.** We recognized federal income tax expense of \$31,000 for the period ended December 31, 2013, and \$25,400 for the period ended December 31, 2012. The increased tax expense resulted from increased pre-tax income in 2013 versus 2012.

**Yields Earned and Rates Paid**

The tables on the following page set forth certain consolidated information relating to Alpena Banking Corporation's average balance sheet and reflects the average yield on interest-earning assets and the average cost of interest-bearing liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balances of interest-earning assets or interest-bearing liabilities for the periods presented. Average balances were derived from daily balances.



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	As of March 31, 2014		For the Three Months Ended March 31,							
	Balance	Yield/Rate	2014		2013		2013		2013	
			Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate		
(Dollars in thousands)										
Interest-earning assets:										
Mortgage loans	\$7,777		\$7,775	\$ 97		\$8,181	\$ 120			
Non-mortgage loans	29,600		30,186	424		31,675	450			
Loans	\$37,377	5.74 %	37,961	522	5.50 %	39,855	569	5.71 %		
Mortgage-backed securities	4,353	2.25 %	4,442	25	2.21 %	3,240	17	2.08 %		
Other investment securities	19,396	1.63 %	18,866	75	1.58 %	18,597	74	1.59 %		
Investment securities	23,749	1.74 %	23,309	99	1.70 %	21,837	91	1.67 %		
Other investments	4,863	0.37 %	6,322	7	0.43 %	6,367	7	0.41 %		
Total interest-earning assets	65,988	3.90 %	67,592	628	3.71 %	68,059	667	3.92 %		
Non-interest-earning assets	3,907		3,920			4,234				
Total assets	\$69,895		\$71,512			\$72,293				
Interest-bearing liabilities:										
Savings deposits	\$5,855	0.13 %	\$5,965	\$ 2	0.13 %	\$4,355	\$ 2	0.14 %		
Money market/NOW accounts	29,456	0.11 %	30,843	8	0.11 %	27,866	9	0.13 %		
Certificates of deposit	12,521	0.72 %	13,106	23	0.71 %	16,095	46	1.14 %		
Total interest-bearing deposits	47,833	0.27 %	49,914	34	0.27 %	48,316	56	0.46 %		
Borrowed funds	—	— %	—	—	— %	—	—	— %		
Total interest-bearing liabilities	47,833	0.27 %	49,914	34	0.27 %	48,316	56	0.46 %		
Non-interest-bearing liabilities	15,109		14,697			16,878				
Total liabilities	62,941		64,611			65,194				
Stockholders' equity	6,953		6,901			7,099				
Total liabilities and stockholders' equity	\$69,895		\$71,512			\$72,293				
Net interest income				\$ 594			\$ 611			
Interest rate spread		3.63 %			3.44 %			3.46 %		
Net interest-earning assets			\$17,678			\$19,473				
Net interest margin (1)		3.71 %			3.50 %			3.59 %		
Average interest-earning assets to average interest-bearing liabilities					135.42 %			140.86 %		

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	As of December 31, 2013 and the Years Ended December 31,											
	2013			2012								
	Balance	Yield/Rate	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate				
(Dollars in thousands)												
Interest-earning assets:												
Mortgage loans			\$8,279	\$408		\$7,563	\$402					
Non-mortgage loans			31,973	1,701		33,233	1,988					
Loans	\$39,476	5.20 %	40,253	2,109	5.24 %	40,796	2,390	5.86 %				
Mortgage-backed securities	4,504	2.26 %	2,898	72	2.49 %	2,664	85	3.18 %				
Other investment securities	20,149	1.60 %	20,739	301	1.45 %	17,975	276	1.54 %				
Investment securities	24,652	1.71 %	26,637	373	1.58 %	20,639	361	1.75 %				
Other investments	5,659	0.25 %	3,437	13	0.40 %	5,631	14	0.25 %				
Total interest-earning assets	69,788	3.56 %	67,327	2,496	3.71 %	67,066	2,765	4.13 %				
Non-interest-earning assets	3,446		5,100			4,965						
Total assets	\$73,234		\$72,427			\$72,031						
Interest-bearing liabilities:												
Savings deposits	\$5,713	0.13 %	\$5,262	\$6	0.13 %	\$3,866	\$6	0.15 %				
Money market/NOW accounts	32,194	0.06 %	29,620	35	0.12 %	27,931	44	0.15 %				
Certificates of deposit	13,240	0.88 %	15,076	147	0.98 %	18,048	228	1.26 %				
Total interest-bearing deposits	51,147	0.28 %	49,958	188	0.39 %	49,845	278	0.56 %				
Borrowed funds	—	— %	—	—	— %	—	—	— %				
Total interest-bearing liabilities	51,147	0.28 %	49,958	188	0.39 %	49,845	278	0.56 %				
Non-interest-bearing liabilities	14,869		15,488			15,077						
Total liabilities	66,429		65,446			64,922						
Stockholders' equity	6,804		6,981			7,109						
Total liabilities and stockholders' equity	\$73,234		\$72,427			\$72,031						
Net interest income				\$2,307			\$2,488					
Interest rate spread		3.28 %			3.33 %			3.57 %				
Net interest-earning assets			\$17,369			\$17,221						
Net interest margin (1)		3.36 %			3.42 %			3.72 %				
Average interest-earning assets to average interest-bearing liabilities					134.77 %			134.55 %				

(1) Represents net interest income divided by interest-earning assets.

Table of Contents**Quantitative and Qualitative Disclosures about Market Risk**

The most significant market risk to which Alpena Banking Corporation is exposed is interest rate risk. The business of Alpena Banking Corporation and the composition of its balance sheet consists of investments in interest-earning assets (primarily loans and securities) which are funded by interest-bearing liabilities (deposits and borrowings). These financial instruments have varying levels of sensitivity to changes in the market rates of interest, resulting in market risk. None of Alpena Banking Corporation's financial instruments are held for trading purposes.

The Alpena Banking Corporation board of directors, through Bank of Alpena's directors and management, establishes broad policies and operating limits with respect to interest rate risk. Bank of Alpena manages interest rate risk regularly through its ALCO Committee. The ALCO Committee meets on a monthly basis and reviews various asset and liability management information, including, but not limited to, Bank of Alpena's liquidity position, projected sources and uses of funds, interest rate risk position and economic conditions.

Bank of Alpena monitors its interest rate risk through modeling, whereby it measures potential changes in its future earnings and the fair values of its financial instruments that may result from one or more hypothetical changes in interest rates. This analysis is performed by estimating the expected cash flows of Bank of Alpena's financial instruments using interest rates in effect at the dates indicated. Income simulation analysis is used to measure the sensitivity of forecasted net interest income to changes in market rates over a one-year time horizon. The economic value of equity (EVE) is calculated by subjecting the period-end balance sheet to changes in interest rates and measuring the impact of the changes on the values of the assets and liabilities. Hypothetical changes in interest rates are then applied to the financial instruments, and the cash flows and fair values are again estimated using these hypothetical rates. For the net interest income estimates, the hypothetical rates are applied to the financial instruments based on the assumed cash flows. Bank of Alpena applies these interest rate "shocks" to its financial instruments up 300 basis points and down 300 basis points in 100 basis point increments.

The following table presents an analysis of the estimated sensitivity of Bank of Alpena's net interest income to sudden and sustained 100 basis point changes in market interest rates at March 31, 2014, December 31, 2013 and December 31, 2012:

**March 31, 2014**

<b>Changes in Interest Rates Income (basis points)</b>	<b>Net Interest</b>	<b>Dollar</b>	<b>Percentage</b>
		<b>Change</b>	<b>Change</b>
<b>(Dollars in Thousands)</b>			
+300	2,365	(74 )	(3.04 )%

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+200	2,400	(39	)	(1.59	)%
+100	2,420	(19	)	(0.79	)%
0	2,439				
-100	2,314	(125	)	(5.11	)%
-200	2,199	(240	)	(9.86	)%
-300	2,106	(333	)	(13.66	)%

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Changes in Interest Rates (basis points)	Net Interest Income	Dollar Change	Percentage Change
(Dollars in Thousands)			
+300	2,379	(58 )	(2.4 )%
+200	2,403	(34 )	(1.38 )%
+100	2,420	(17 )	(0.70 )%
0	2,437		
-100	2,328	(109 )	(4.45 )%
-200	2,214	(223 )	(9.14 )%
-300	2,118	(319 )	(13.11 )%

**December 31, 2012**

Changes in Interest Rates (basis points)	Net Interest Income	Dollar Change	Percentage Change
(Dollars in Thousands)			
+300	2,896	202	7.49 %
+200	2,831	137	5.09 %
+100	2,759	65	2.41 %
0	2,694		
-100	2,543	(151 )	(5.60 )%
-200	2,400	(294 )	(10.92 )%
-300	2,260	(434 )	(16.11 )%

Management reviews Net Interest Income at Risk with the Board on a periodic basis. Bank of Alpena was within all Board-approved limits at March 31, 2014, December 31, 2013 and December 31, 2012.

**Economic Value of Equity at Risk (%)**

Basis point change scenario	-300	-200	-100	+100	+200	+300
Board policy limits	+/-28 %	+/-18 %	+/-10 %	+/-10 %	+/-18 %	+/-28 %
March 31, 2014	35.66 %	22.72 %	9.85 %	(4.07 )%	(2.40 )%	1.97 %
December 31, 2013	32.92 %	20.04 %	7.47 %	(3.21 )%	(0.83 )%	3.92 %
December 31, 2012	22.41 %	17.20 %	10.70 %	(11.07)%	(13.22)%	(2.48 )%

Management reviews Economic Value of Equity at Risk with the Board on a periodic basis. Bank of Alpena was within all Board-approved limits at March 31, 2014, December 31, 2013 and December 31, 2012 with the exception of the +/-100 basis point "shock" as of March 31, 2014 and December 31, 2012 which was outside the limit of +/-10%.

**Management of Alpena Banking Corporation and Bank of Alpena**

**Directors**

The Articles of Incorporation of Alpena Banking Corporation provide that the number of directors shall be fixed from time to time by resolution of not less than two-thirds of the entire board of directors, but shall not be less than three. The board of directors has set the current number of directors at six.

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As currently comprised, the board of directors is a diverse group of individuals drawn from various market sectors and industry groups and mostly with a presence in the markets where Bank of Alpena operates. Current board representation by outside directors demonstrates backgrounds in various areas of commerce and manufacturing.

The business experience for the past five years of each of our directors and executive officers is set forth below. Unless otherwise indicated, directors and executive officers have held their positions for the past five years. Also unless otherwise indicated, all directors have served on the board of directors of Alpena Banking Corporation since 2000 and on the board of directors of Bank of Alpena since it was chartered in 2001.

**Timothy E. Fitzpatrick**, age 62, is President and CEO of WMCR Co., a Michigan-based franchisee of the KFC Corporation. Mr. Fitzpatrick currently serves as the Chairman of the Board of Bank of Alpena. Mr. Fitzpatrick's experience as a local business owner and operator provides the board with insight into product offerings aimed at local small businesses.

**Richard L. Crittenden**, age 56, is President of DeVere Construction Co. located in Alpena Michigan, which specializes in commercial design and building construction. Mr. Crittenden's experience as a local real estate developer provides the board with assistance in assessing local real estate values, trends and developments, in identifying potential new lending customers and in assessing the relative risk of projects and properties securing loans made by Bank of Alpena.

**Christopher B. McCoy**, age 65, is President of Douville-Johnston Corp located in Alpena Michigan, which is a manufacturer of magnesium couplers and fabricator of hydraulic fluid reservoirs. Mr. McCoy provides the Board with vast knowledge in both the commercial and financial business sectors.

**Eric G. Smith**, age 60, has served on the Board of Directors since 2011. He is President and CEO of Panel Processing Inc. located in Alpena Michigan, which is a wood product manufacturer. Mr. Smith's experience as a local business owner and operator provides the board with insight into product offerings aimed at local small businesses. Additionally as Supervisor of Green Township, Mr. Smith's intimate knowledge of local businesses helps drive business development for Bank of Alpena.

**James C. Park**, age 77, is retired. Prior to his retirement, Mr. Park was the former President of Besser Company located in Alpena, Michigan, a manufacturer of concrete block making equipment. Mr. Park currently serves as the Chairman of the Board of Directors of Alpena Banking Corporation. As President of Besser Company, Mr. Park was intimately involved in all phases of that business for more than 40 years, dealing with all financial, legal, sales, public relations, personnel management, inventory management and other matters, and this experience provides the board with general business acumen.

**Craig A. Kus**, age 60, is President and Chief Executive Officer of Bank of Alpena and President of Alpena Banking Corporation. Mr. Kus' significant banking experience and continued participation in the financial industry at the state and national level provides the board with a perspective on the operations of Bank of Alpena and assists the board in assessing the trends and developments in the financial institutions industry.

It is anticipated that four members of the Board of Directors of the Alpena Banking Corporation will be appointed to serve as members of the Board of Directors of First Federal Bancorp following the consummation of the Merger. However, to the knowledge of the members of the Board of Directors of Alpena Banking Corporation, no determination has yet been made with respect to the persons being selected to serve on the Board of Directors of First Federal Bancorp.

#### **Executive Officer who is Not a Director**

Below is a brief description of the executive officer of Bank of Alpena and Alpena Banking Corporation who does not serve as a director.

**Joseph P. Garber**, age 51, has served as the Senior Vice President, Lending of Bank of Alpena since 2001.

#### **Board Independence**

The Board of Directors of Alpena Banking Corporation has undertaken a review of director independence in connection with the proposed Merger. Based upon this review, the Board of Directors



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has determined that, with the exception of Mr. Kus, each member of the Board of Directors is an “independent director” within the meaning of the Nasdaq corporate governance listing standards. Mr. Kus is not considered independent because he is a current executive officer of Alpena Banking Corporation. The stock of Alpena Banking Corporation is not listed on the Nasdaq Stock Exchange, nor does it trade on any other stock exchange. The Board of Directors has used the criteria provided under the Nasdaq corporate governance listing standards for purposes of making this one-time determination, in accordance with regulations issued by the Securities and Exchange Commission.

Certain members of the board of directors of Alpena Banking Corporation or their associates were customers of and had loan relationships with Bank of Alpena during 2013. Transactions that involved loans or commitments by Bank of Alpena were made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than the normal risk of collectability or present other unfavorable features. Except for the relationships in the ordinary course of the banking business, no director, executive officer or beneficial owner of more than 5% of Alpena Banking Corporation’s outstanding voting securities (or any member of their immediate families) engaged in any transaction (other than such a loan transaction as described) with Alpena Banking Corporation during 2013, or proposes to engage in any transaction with Alpena Banking Corporation during 2014, in which the amounts involved exceeded, or would exceed, as the case may be, \$120,000.

## **Executive Compensation and Other Information**

### **Introduction**

The Personnel Committee (sometimes referred to in this section as the “Committee”) of the board of directors of Alpena Banking Corporation administers our executive compensation program. The Committee is designated in the Alpena Banking Corporation Bylaws and board members are assigned annually and approved by the board. The Committee is responsible for reviewing and determining executive officer compensation, evaluating the President and Chief Executive Officer, overseeing the evaluation of all other officers and employees, administering our incentive compensation programs, approving and overseeing the administration of our employee benefits programs, providing insight and guidance to management with respect to employee compensation generally and reviewing and making recommendations to the board with respect to director compensation. All compensation decisions are determined annually by the Committee and must be within the budget parameters established by the full board of directors. The Committee determines the level of compensation for all executive officers within the constraints of the amounts approved by the board. In this regard, the Committee conducts reviews, assembles compensation survey data and makes any necessary recommendations to the full board of directors regarding compensation matters. The President and Chief Executive Officer participates with respect to the Committee’s decisions concerning other executive officers.

The Committee does not operate under a separate written charter adopted by the board of directors. However, the bylaws include provisions governing the duties of the Committee as well as the eligibility requirements for board

members to be appointed to the Committee. The bylaw provisions grant the Committee the authority to retain and terminate advisors, including compensation consultants, accountants and legal counsel, to assist in discharging its duties. The Committee meets at scheduled times during the year and also acts upon occasion by written consent. The chair of the Committee reports on Committee activities and makes Committee recommendations at meetings of the board of directors.

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### **Compensation Philosophy**

Our executive compensation programs seek to balance the interests of shareholders and executive officers, while supporting our need to attract and retain competent executive management. Toward this end, Alpena Banking Corporation has an executive compensation structure which intends to attain the following objectives:

- Support a pay-for-performance policy that rewards executive officers for corporate performance.
- Motivates executive officers to achieve strategic business goals.
- Provides competitive compensation opportunities critical to Alpena Banking Corporation's long-term success.

To assist it with the execution of its duties, the Committee utilizes the salary compensation survey (the "Survey") published annually by the Michigan Bankers Association. The Committee uses comparisons of competitive executive pay practices of its peer groups as outlined in the survey, and may also at times use the services of independent executive compensation advisors. Peer groups are generally determined through the identification of bank holding companies and subsidiaries in Michigan that are of comparable size to Alpena Banking Corporation and its subsidiaries. In making its decisions regarding annual salary adjustments, the Committee reviews quantitative and qualitative performance factors as part of an annual performance appraisal.

There are two principal components of the compensation program for all executive officers of Alpena Banking Corporation and Bank of Alpena: a base salary component; and a cash bonus incentive component. Alpena Banking Corporation also has a 401(k) plan.

### **Components of Compensation**

The elements of total compensation paid by Alpena Banking Corporation to our senior officers, including the President and Chief Executive Officer (the "CEO") and the other executive officers identified in the Summary Compensation Table below (the CEO and the other executive officers identified in that Table are sometimes referred to collectively as the "Named Executive Officers"), include the following:

- Base salary;
- Awards under our cash-based bonus compensation program; and
- Awards under our 401(k) plan.

**Base Salary.** It is the Committee's policy that a competitive base salary is essential in order to retain quality executive personnel. The base salaries of the Named Executive Officers are reviewed by the Committee annually as well as at the time of any promotion or significant change in job responsibilities. The Committee reviews peer group data and compensation surveys sponsored by the Michigan Bankers Association to establish a market-competitive executive base salary program. The reports and surveys utilized by the Committee generally break down overall compensation data into subcategories based upon the relative asset size of the various respondent institutions. The Committee primarily utilizes the compensation data within its respective asset category. Based upon an analysis of the report data, the Committee reviews its salary packages to determine if they represent an appropriately competitive salary range for each Named Executive Officer. The Committee also undertakes a subjective evaluation of the performance of each respective individual and the performance of Alpena Banking Corporation overall for the previous fiscal year. The exact placement of each Named Executive Officer

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within the pre-established range is determined by a final subjective evaluation by the Committee of the performance of the executive during the prior year. Salary income for each Named Executive Officer for calendar year 2013 and 2012 is reported in the “Salary” column of the Summary Compensation Table, which appears following this Compensation Discussion and Analysis.

***Incentive Bonus Compensation.*** It is the Committee’s policy that a significant portion of employee compensation should be payable annually in the form of a bonus based principally upon the overall financial performance of Alpena Banking Corporation. Officers of the Company may receive a discretionary cash bonus award under the Bonus Plan, the amount of which is based primarily upon a subjective evaluation of the performance of the respective individual and the overall performance of Alpena Banking Corporation for the previous fiscal year. No bonuses were paid to the Named Executive Officers in each of the last two fiscal years.

***Integrated Profit Sharing and 401(k) Plan.*** Alpena Banking Corporation maintains an integrated profit sharing and 401(k) plan. Under the integrated profit sharing pension plan contribution formula, for each plan year Alpena Banking Corporation will contribute an amount equal to 3% of an employee’s compensation for the plan year and 50% on an additional 2% of the amount of an employee’s excess compensation for the plan year. The 401(k) plan allows employees to make salary reduction contributions to the plan up to the annual limit established by the IRS. The plan covers substantially all employees who meet certain minimum criteria. The Company’s contributions under these plans on behalf of the Named Executive Officers is included in the “all other compensation” column in the summary compensation table.

***Group Life, Health and Disability Benefits.*** The Company provides healthcare, life and disability insurance and other employee benefits programs to its employees, including its senior officers. The Committee is responsible for overseeing the administration of these programs and believes that its employee benefits programs should be comparable to those maintained by other members of the relevant peer groups so as to assure that Alpena Banking Corporation is able to maintain a competitive position in terms of attracting and retaining officers and other employees. Our employee health and welfare benefits plans are provided on a non-discriminatory basis to all employees.

## **Executive Compensation**

For 2013 and 2012 the executive officers named in the Summary Compensation Table received salaries that were intended to maintain their compensation at a competitive level.

Adjustments in 2013 base salary were based upon each Named Executive Officer’s annual performance review, an annual review of peer compensation, and the overall performance of Alpena Banking Corporation. These adjustments

are consistent with the Company's salary budget which is approved by the Executive Committee and becomes part of the overall budget approved annually by the board of directors.

Alpena Banking Corporation provides a reasonable level of personal benefits, and perquisites to one or more Named Executive Officers to support the business interests of Bank of Alpena, provide competitive compensation, and to recognize the substantial commitment both professionally and personally expected from executive officers. The aggregate value of perquisites and personal benefits, as defined under SEC rules, provided to each Named Executive Officer is less than the reporting threshold value of \$10,000.

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The following table sets forth the annual and long-term compensation for Alpena Banking Corporation's Named Executive Officers for 2013 and 2012.

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity	Nonqualified	All Other Compensation (\$)	Total (\$)
						Incentive Plan Compensation (\$)	Deferred Compensation (\$)		
Mr. Craig Kus, President and Chief	2013	\$149,885						\$ 13,637	\$163,522
Executive Officer	2012	\$149,610						\$ 13,391	\$163,001
Mr. Joseph Garber	2013	\$92,060						\$ 13,042	\$105,102
	2012	\$91,842						\$ 16,913	\$108,755

The amounts shown in this column for the most recently completed fiscal year were derived from the following figures: (1) payments made for group health and welfare benefits in the amounts of \$7,642 for Mr. Kus and \$9,360 for Mr. Garber; and (2) contributions by Alpena Banking Corporation to its 401(k) Plan on behalf of Mr. Kus in the amount of \$5,995 and on behalf of Mr. Garber in the amount of \$3,682.

**Director Compensation**

Directors of Alpena Banking Corporation and Bank of Alpena have received no board fees for the past two fiscal years. Prior to the suspension of directors' fees, directors had been compensated \$100 for each board meeting and \$50 for each committee meeting that they attended.

**INFORMATION WITH REGARD TO FIRST FEDERAL BANCORP****General**

First Federal Bancorp is a Maryland corporation that owns all of the outstanding shares of common stock of First Federal of Northern Michigan. At March 31, 2014, we had consolidated assets of \$215.3 million, deposits of \$165.7 million and stockholders' equity of \$24.0 million. As of March 31, 2014, we had 2,884,049 shares of common stock issued and outstanding. Our executive offices are located at 100 South Second Avenue, Alpena, Michigan 49707. Our phone number at that address is (800) 498-0013.

First Federal Bancorp maintains a website at [www.first-federal.com](http://www.first-federal.com) that includes important information on our Company, including a list of our products and services, branch locations and current financial information. In addition, we make available, without charge, through our website, a link to our filings with the SEC, including copies of annual reports on Form 10-K, quarterly reports in Form 10-Q, current reports in Form 8-K, and amendments to these filings, if any. Information on our website should not be considered a part of this Annual Report.

### **First Federal of Northern Michigan**

First Federal of Northern Michigan ("First Federal") is a full-service, community-oriented savings bank that provides financial services to individuals, families and businesses from eight full-service facilities located in Alpena, Cheboygan, Emmet, Iosco, Otsego, Montmorency and Oscoda



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Counties, Michigan. First Federal was chartered in 1957, and reorganized into the mutual holding company structure in 1994. In 2000, First Federal became the wholly owned subsidiary of Alpena Bancshares, Inc., our predecessor company, and in April 2005 we completed our “second step” mutual-to-stock conversion and formed our current ownership structure.

First Federal’s business consists primarily of accepting deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in one- to four-family residential mortgage loans, commercial real estate loans, commercial business loans, consumer loans and in investment securities and mortgage-backed securities.

First Federal’s executive offices are located at 100 South Second Avenue, Alpena, Michigan 49707. Its phone number at that address is (800) 498-0013.

## **Market Area and Competition**

First Federal conducts operations through its main office in Alpena, Michigan, which is located in the northeastern lower peninsula of Michigan, and through its seven other branch offices in Michigan. According to the Michigan Senate, the population of Alpena County, from which the majority of our deposits are drawn, has decreased approximately 6.6% since 2000, and currently is approximately 30,000. The population of our primary market area, which includes Alpena County and seven surrounding counties, was estimated to be approximately 155,000 in 2012, a decrease of 13.9% from approximately 180,000 according to the 2012 census. Median household income for the counties which comprised our market area in 2012 ranged from approximately \$33,900 to \$50,700, which represented moderate increases from 2010 levels in most counties in our market area. Median household income for our entire market area was below the national level of \$51,371 and below the Michigan level of \$46,859 in all but 2 counties in our market area, reflecting the largely rural nature of our market area and the absence of more densely populated urban and suburban areas. Household income levels are not expected to increase substantially in our market area in the near future. The unemployment rate in our primary market, Alpena County, was 9.5% for December 2013, and ranged from 10.8% to 18.1% across the rest of our primary market area, as compared to 6.7% nationally and 8.4% for Michigan (all numbers not seasonally adjusted).

Alpena is the largest city located in the northeastern lower peninsula of Michigan. This area has long been associated with agricultural, wood and concrete industries. Tourism has also been a major industry in our primary market area. All of these industries tend to be seasonal and are strongly affected by state and national economic conditions.

Major employers in our primary market area include various public schools and governmental agencies, Alpena Regional Medical Center, Besser Company (a manufacturer of concrete products equipment), Lafarge Corporation (an

international limestone mining and cement producer), Panel Processing (a peg board manufacturer), Treetops Sylvan Resort (an operator of resort properties), Garland Resort (an operator of resort properties and golf courses), Otsego Memorial Hospital, Decorative Panels International (a hardboard manufacturer), OMNI Metalcraft Corp. (a diversified manufacturer), and various other small companies.

As of March 31, 2014, First Federal was the only thrift institution headquartered in our market area. We encounter strong competition both in attracting deposits and in originating residential and commercial real estate and other loans. Our most direct competition for deposits has historically come from commercial banks, other savings institutions, and credit unions in our market area. Competition for loans comes from such financial institutions. We expect continued strong competition in the foreseeable

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future, including the “super-regional” banks currently in our markets, from internet banks, and from credit unions in many of our markets. We compete for savings deposits by offering depositors a high level of personal service and a wide range of competitively priced financial products. We compete for real estate loans primarily on the basis of the interest rates and fees we charge and through advertising. Strong competition for deposits and loans may limit our ability to grow and may adversely affect our profitability in the future.

## **Lending Activities**

**General.** The largest part of our loan portfolio is mortgage loans secured by one- to four-family residential real estate. In recent years, we have sold most of the fixed-rate conventional one- to four-family mortgage loans that we originate that have terms of 15 years or more. We retain the servicing on a majority of the mortgage loans that we sell. To a lesser extent, we also originate commercial loans, commercial real estate loans and consumer loans. At March 31, 2014, we had total loans of \$137.0 million, of which \$63.6 million, or 46.4%, were one- to four-family residential real estate mortgage loans, \$51.6 million, or 37.6%, were commercial real estate loans, and \$12.3 million, or 8.9%, were commercial loans. Other loans consisted primarily of home equity loans, which totaled \$8.5 million, or 6.2% of total loans, and other consumer loans which totaled \$1.2 million, or 0.9% of total loans.

**One- to Four-Family Residential Real Estate Lending.** Our primary lending activity consists of originating one- to four-family owner-occupied residential mortgage loans, virtually all of which are collateralized by properties located in our market area. We also originate one- to four-family construction loans that pay interest only during the initial construction period (which generally does not exceed twelve months) and then pay interest and principal for the remainder of the loan term. To address interest rate risk we generally sell most of our one- to four-family fixed-rate mortgage loans with terms of 15 years or more and retain the loan servicing on a majority of these mortgage loans. Fixed-rate loans with terms of 15 years or less are either sold into the secondary market or, in some cases, retained in our portfolio. Adjustable rate mortgage loans are generally underwritten to secondary market mortgage standards, but are retained in our loan portfolio. One- to four-family residential mortgage loans are underwritten and originated according to policies and guidelines established by the secondary mortgage market agencies and approved by our Board of Directors. We utilize existing liquidity, deposits, loan repayments, and Federal Home Loan Bank advances to fund new loan originations.

We currently offer fixed rate one- to four-family residential mortgage loans with terms ranging from 15 to 30 years. One- to four-family residential mortgage loans often remain outstanding for significantly shorter periods than their contractual terms because borrowers may refinance or prepay loans at their option. The average length of time that our one- to four-family residential mortgage loans remain outstanding varies significantly depending upon trends in market interest rates and other factors. In recent years, the average maturity of our mortgage loans has decreased significantly because of the declining trend in market interest rates and the unprecedented volume of refinancing activity resulting from such interest rate decreases.

Originations of one- to four fixed-rate mortgage loans are regularly monitored and are affected significantly by the level of market interest rates, our interest rate gap position, and loan products offered by our competitors. Our fixed rate mortgage loans amortize on a monthly basis with principal and interest due each month.

We have in the past originated fixed-rate loans that amortize over 15 years but that have “balloon payments” that are due upon the maturity of the loan in five years. As a general rule, we no longer originate this type of mortgage loan. Upon maturity, existing balloon mortgage loans are either

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underwritten as fixed-rate loans and sold or rewritten as adjustable rate mortgages at current market rates. While the majority of our balloon mortgage loans amortize over 15 years, some amortize over 10 or 30 years, and a limited number amortize over five years.

Our one- to four-family residential mortgage loans customarily include due-on-sale clauses, which are provisions giving us the right to declare a loan immediately due and payable in the event, among other things, that the borrower sells or otherwise disposes of the underlying real property serving as security for the loan. Due-on-sale clauses are an important means of adjusting the rates on our fixed-rate mortgage loan portfolio, and we have generally exercised our rights under these clauses.

Regulations limit the amount that a savings institution may lend relative to the appraised value of the real estate securing the loan, as determined by an appraisal at the time of loan origination. Such regulations permit a maximum loan-to-value ratio of 100% for residential property and 90% for all other real estate loans. Our lending policies limit the maximum loan-to-value ratio on fixed-rate loans without private mortgage insurance to 80% of the lesser of the appraised value or the purchase price of the property serving as collateral for the loan.

Generally, we make one- to four-family mortgage loans with loan-to-value ratios of up to 90%. However, for one- to four-family real estate loans with loan-to-value ratios of between 80% and 90%, we may require the borrower to purchase private mortgage insurance. In 2005 we began making 80/20 loans and interest-only loans subject to Board-approved dollar limits to limit risk exposure. In late 2007 these products were eliminated; however, at March 31, 2014 approximately \$302,000 of these products remained in our portfolio. We require fire and casualty insurance, flood insurance when applicable, as well as title insurance, on all properties securing real estate loans made by us.

***Commercial Real Estate Lending.*** We originate commercial real estate loans. At March 31, 2014, we had a total of 148 loans secured primarily by commercial real estate properties, unimproved vacant land and, to a limited extent, multifamily properties. Our commercial real estate loans are secured by income-producing properties such as office buildings, retail buildings, restaurants and motels. A majority of our commercial real estate loans are secured by properties located in our primary market area, although at March 31, 2014 we did have \$3.7 million in commercial real estate loans located outside of Michigan. We have originated commercial construction loans that are originated as permanent loans but are interest-only during the initial construction period, which generally does not exceed nine months. At March 31, 2014, our commercial real estate loans totaled \$51.6 million, or 37.6% of our total loans, and had an average principal balance of approximately \$354,000. The terms of each loan typically amortize over 15 years and have a three- or five-year balloon feature. An origination fee of 0.5% to 1.0% is generally charged on commercial real estate loans. We generally make commercial real estate loans up to 75% of the appraised value of the property securing the loan.

At March 31, 2014, our largest commercial real estate relationship consisted of one loan having a total principal balance of \$3.0 million, which was performing according to its repayment terms as of March 31, 2014. This loan

relationship is secured by a single piece of commercial real estate and is also our largest single commercial real estate loan.

Commercial real estate loans generally carry higher interest rates and have shorter terms than those on one- to four-family residential mortgage loans. However, loans secured by commercial real estate generally involve a greater degree of credit risk than one- to four-family residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income producing properties, and the increased difficulty of evaluating and monitoring

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these types of loans. Furthermore, the repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the business or the related real estate property. If the cash flow from the business operation is reduced, the borrower's ability to repay the loan may be impaired. This may be particularly true in the early years of the business operation when the risk of failure is greatest. Many of our commercial real estate loans have been made to borrowers whose business operations are untested, which increases our risk.

**Consumer and Other Loans.** We originate a variety of consumer and other loans, including loans secured by savings accounts, new and used automobiles, mobile homes, boats, recreational vehicles, and other personal property. As of March 31, 2014, consumer and other loans totaled \$9.7 million, or 7.0% of our total loan portfolio. At such date, \$263,000, or 0.2% of our consumer loans, were unsecured. As of March 31, 2014, home equity loans totaled \$8.5 million, or 6.2% of our total loan portfolio, and automobile loans totaled \$470,000, or 0.3% of our total loan portfolio. We originate automobile loans directly to our customers and have no outstanding agreements with automobile dealerships to generate indirect loans.

Our procedures for underwriting consumer loans include an assessment of an applicant's credit history and the ability to meet existing obligations and payments on the proposed loan. Although an applicant's creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral security, if any, to the proposed loan amount.

Consumer loans generally entail greater risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that tend to depreciate rapidly, such as automobiles, mobile homes, boats and recreational vehicles. In addition, the repayment of consumer loans depends on the borrower's continued financial stability, as repayment is more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy than a single family mortgage loan.

**Commercial Loans.** At March 31, 2014, we had \$12.3 million in commercial loans which amounted to 8.9% of total loans. We make commercial loans primarily in our market area to a variety of professionals, sole proprietorships and small businesses. Commercial lending products include term loans and revolving lines of credit. The maximum amount of a commercial loan is our loans-to-one-borrower limit, which was \$3.6 million at March 31, 2014. Such loans are generally used for longer-term working capital purposes such as purchasing equipment or furniture. Commercial loans are made with either adjustable or fixed rates of interest. Variable rates are generally based on the prime rate, as published in The Wall Street Journal, plus a margin. Fixed rate commercial loans are set at a margin above the Federal Home Loan Bank comparable advance rate.

When making commercial loans, we consider the financial statements of the borrower, our lending history with the borrower, the debt service capabilities of the borrower, the projected cash flows of the business and the value of the collateral. Commercial loans are generally secured by a variety of collateral, primarily accounts receivable, inventory and equipment, and are supported by personal guarantees. Depending on the collateral used to secure the loans,

commercial loans are typically made in amounts of up to 75% of the value of the collateral securing the loan.

Commercial loans generally have greater credit risk than residential mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial loans generally are made on the basis of the borrower's ability to repay the loan from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial loans may depend substantially on the success of



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the business itself. If the cash flow from the business operation is reduced, the borrower's ability to repay the loan may be impaired. This may be particularly true in the early years of the business operation when the risk of failure is greatest. Moreover, any collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value. We seek to minimize these risks through our underwriting standards. At March 31, 2014, our largest commercial loan was a \$2.1 million commercial term loan and was collateralized by equipment and inventory of a supermarket. At March 31, 2014, the outstanding balance was \$1.6 million and the loan was performing according to its repayment terms.

**Construction Loans.** We originate construction loans to local home builders in our market area, generally with whom we have an established relationship, and to individuals engaged in the construction of their residences. We also originate loans for the construction of commercial buildings and, to a lesser extent, participate in construction loan projects originated by other lenders. Our construction loans totaled \$1.4 million, or 1.0% of our total loan portfolio, at March 31, 2014.

Our construction loans to home builders are repaid on an interest-only basis for the term of the loan (which is generally six to 12 months), with interest calculated on the amount disbursed to the builders based upon a percentage of completion of construction. These loans typically have a maximum loan-to-value ratio of 80%, based on the appraised value. Interest rates are fixed during the construction phase of the loan. Loans to builders are made on either a pre-sold or speculative (unsold) basis. Most of our construction loans to individuals who intend to occupy the completed dwelling are originated via a "one-step closing" process, whereby the construction phase and end-financing are handled with one loan closing. Prior to funding a construction loan, we require an appraisal of the property from a qualified appraiser approved by us, and all appraisals are reviewed by us.

Construction lending exposes us to greater credit risk than permanent mortgage financing because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost of the project. If the estimate of construction costs is inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the project. If the estimate of value upon completion is inaccurate, the value of the property may be insufficient to assure full repayment. Projects may also be jeopardized by disagreements between borrowers and builders and by the failure of builders to pay subcontractors. Loans to builders to construct homes for which no purchaser has been identified carry more risk because the repayment of the loan depends on the builder's ability to sell the property prior to the time that the construction loan is due. We have attempted to minimize these risks by, among other things, limiting our residential construction lending primarily to residential properties in our market area and generally requiring personal guarantees from the principals of corporate borrowers.

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**Loan Portfolio Composition.** The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	<b>At March 31, 2014</b>		<b>At December 31, 2013</b>		<b>2012</b>				
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>			
	<b>(dollars in thousands)</b>								
Real estate loans:									
Residential Mortgages:									
1-4 Family Mortgages	\$60,930	44.5	%	\$60,750	44.0	%	\$63,867	45.3	%
Purchased Mortgage In-State	1,454	1.1	%	1,506	1.2	%	1,711	1.3	%
1-4 Family Construction	1,192	0.9	%	1,583	1.1	%	962	0.7	%
Home Equity/Junior Liens	8,490	6.2	%	8,730	6.3	%	10,409	7.4	%
Nonresidential Mortgages:									
Nonresidential	40,822	29.8	%	41,090	29.8	%	40,992	29.1	%
Purchased Nonresidential In-State	6,822	5.0	%	6,886	5.0	%	4,553	3.2	%
Purchased Nonresidential Out-of-State	3,739	2.7	%	3,750	2.7	%	6,882	4.9	%
Nonresidential Construction	-	0.0	%	-	0.0	%	1,458	1.0	%
Purchased Construction In-State	-	0.0	%	-	0.0	%	615	0.4	%
Purchased Construction Out-of-State	173	0.1	%	173	0.1	%	173	0.1	%
Non real estate loans:									
Commercial Loans	11,978	8.7	%	12,164	8.8	%	7,769	5.5	%
Purchased Commercial Loans In-State	273	0.2	%	287	0.2	%	333	0.2	%
Consumer and other loans	1,171	0.9	%	1,165	0.8	%	1,258	0.9	%
<b>Total Loans</b>	<b>\$137,044</b>	<b>100.00</b>	<b>%</b>	<b>\$138,084</b>	<b>100.00</b>	<b>%</b>	<b>\$140,982</b>	<b>100.00</b>	<b>%</b>
Other items:									
Deferred loan origination costs	224			179			15		
Deferred loan origination fees	(484 )			(476 )			(335 )		
Allowance for loan losses	(1,458 )			(1,472 )			(1,750 )		
<b>Total loans, net</b>	<b>\$135,326</b>			<b>\$136,315</b>			<b>\$138,912</b>		

	<b>At December 31, 2011</b>		<b>2010</b>		<b>2009</b>				
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>			
	<b>(dollars in thousands)</b>								
Real estate loans:									
Residential Mortgages:									
1-4 Family Mortgages	\$64,177	45.0	%	\$68,298	42.7	%	\$77,851	44.4	%
Purchased Mortgage In-State	1,924	1.3	%	3,243	2.0	%	3,342	1.9	%
Purchased Mortgage Out-of-State	-	0.0	%	-	0.0	%	-	0.0	%

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1-4 Family Construction	498	0.3	%	156	0.1	%	427	0.2	%
Home Equity/Junior Liens	13,395	9.4	%	16,547	10.3	%	18,732	10.7	%
Nonresidential Mortgages:									
Nonresidential	44,020	30.9	%	43,580	27.3	%	43,446	24.8	%
Purchased Nonresidential In-State	2,130	1.5	%	4,232	2.6	%	3,894	2.2	%
Purchased Nonresidential Out-of-State	7,788	5.5	%	9,928	6.2	%	8,428	4.8	%
Nonresidential Construction	91	0.1	%	1,498	0.9	%	2,816	1.6	%
Purchased Construction In-State	-	0.0	%	-	0.0	%	-	0.0	%
Purchased Construction Out-of-State	173	0.1	%	1,772	1.1	%	3,792	2.2	%
Non real estate loans:									
Commercial Loans	6,621	4.6	%	7,382	4.6	%	7,035	4.0	%
Purchased Commercial Loans In-State	381	0.3	%	1,466	0.9	%	2,838	1.6	%
Consumer and other loans	1,477	1.0	%	2,118	1.3	%	2,553	1.6	%
 Total Loans	 \$142,675	 100.00	 %	 \$160,220	 100.00	 %	 \$175,154	 100.00	 %
Other items:									
Deferred loan origination costs	14			31			12		
Deferred loan origination fees	(287 )			(276 )			(287 )		
Allowance for loan losses	(1,518 )			(2,831 )			(3,660 )		
 Total loans, net	 \$140,884			 \$157,144			 \$171,219		

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**Loan Portfolio Maturities and Yield.** The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2013. Demand loans, loans having no stated repayment or maturity, and overdraft loans are reported as being due in one year or less.

Due During the Years Ending December 31,	1-4 Family Mortgage		Purchased Mortgage In-State		1-4 Family Construction		
	Weighted Average		Weighted Average		Weighted Average		
	Amount	Rate	Amount	Rate	Amount	Rate	
	(dollars in thousands)						
2014	\$235	6.90	% \$-	0.00	% \$1,583	3.68	%
2015	101	7.98	% -	0.00	% -	0.00	%
2016	157	7.03	% -	0.00	% -	0.00	%
2017 to 2018	1,634	5.65	% -	0.00	% -	0.00	%
2019 to 2023	5,712	5.76	% -	0.00	% -	0.00	%
2024 to 2028	24,068	4.58	% 26	4.85	% -	0.00	%
2029 and beyond	28,843	5.39	% 1,480	2.63	% -	0.00	%
Total	\$60,750	5.13	% \$1,506	2.67	% \$1,583	2.54	%

Due During the Years Ending December 31,	Home Equity/Junior Liens		Purchased Nonresidential In-State		Purchased Nonresidential		
	Weighted Average		Weighted Average		Weighted Average		
	Amount	Rate	Amount	Rate	Amount	Rate	
	(dollars in thousands)						
2014	\$42	6.73	% \$5,437	5.97	% \$1,737	5.05	%
2015	107	7.18	% 3,944	6.39	% 39	7.48	%
2016	307	8.02	% 3,907	5.71	% 760	4.75	%
2017 to 2018	391	5.59	% 19,951	5.49	% 1,616	4.75	%
2019 to 2023	4,542	5.77	% 5,353	5.64	% 1,750	4.75	%
2024 to 2028	3,341	4.21	% 1,485	6.75	% 984	5.75	%
2029 and beyond	-	0.00	% 1,013	6.25	% -	0.00	%
Total	\$8,730	5.27	% \$41,090	5.74	% \$6,886	4.98	%

	<b>Purchased Nonresidential Out-of-State</b>		<b>Purchased Construction Out-of-State</b>		<b>Commercial Loans</b>			
	<b>Weighted Average</b>		<b>Weighted Average</b>		<b>Weighted Average</b>			
	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>		
<b>Due During the Years Ending December 31,</b>								
2014	\$1,441	5.50	% \$173	9.25	% \$3,406	5.19	%	
2015	-	0.00	% -	0.00	% 2,165	5.25	%	
2016	-	0.00	% -	0.00	% 1,378	5.42	%	
2017 to 2018	-	0.00	% -	0.00	% 3,255	5.00	%	
2019 to 2023	-	0.00	% -	0.00	% 1,960	5.48	%	
2024 to 2028	-	0.00	% -	0.00	% -	0.00	%	
2029 and beyond	2,309	5.75	% -	0.00	% -	0.00	%	
<b>Total</b>	<b>\$3,750</b>	<b>0.00</b>	<b>% \$173</b>	<b>122.56</b>	<b>% \$12,164</b>	<b>0.13</b>	<b>%</b>	

	<b>Purchased Commercial Loans In-State</b>		<b>Consumer &amp; Other Loans</b>		<b>Total Amount</b>	<b>Weighted Average Rate</b>		
	<b>Weighted Average</b>		<b>Weighted Average</b>					
	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>				
<b>Due During the Years Ending December 31,</b>								
2014	\$-	0.00	% \$16	8.88	% \$14,070	0.01	%	
2015	-	0.00	% 77	8.14	% 6,433	0.10	%	
2016	-	0.00	% 220	8.09	% 6,729	0.26	%	
2017 to 2018	287	4.75	% 658	6.71	% 27,792	0.16	%	
2019 to 2023	-	0.00	% 176	6.36	% 19,493	0.06	%	
2024 to 2028	-	0.00	% 18	5.50	% 29,922	0.00	%	
2029 and beyond	-	0.00	% -	0.00	% 33,645	0.00	%	
<b>Total</b>	<b>\$287</b>	<b>4.75</b>	<b>% \$1,165</b>	<b>1.17</b>	<b>% \$138,084</b>	<b>0.06</b>	<b>%</b>	

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**Fixed- and Adjustable-Rate Loans.** The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2013 that are contractually due after December 31, 2014.

	<b>Due After December 31, 2014</b>		
	<b>Fixed</b>	<b>Adjustable</b>	<b>Total</b>
	<b>(dollars in thousands)</b>		
Residential Mortgages:			
1-4 Family Mortgages	\$36,547	\$ 23,968	\$60,515
Purchased Mortgage In-State	-	1,506	1,506
Home Equity/Junior Liens	3,065	5,623	8,688
Nonresidential Mortgages:			
Nonresidential	24,799	10,854	35,653
Purchased Nonresidential In-State	3,406	1,743	5,149
Purchased Nonresidential Out-of-State	2,309	-	2,309
Non real estate loans:			
Commercial Loans	6,773	1,985	8,758
Purchased Commercial Loans In-State	287	-	287
Consumer and other loans	945	204	1,149
<b>Total Loans</b>	<b>\$78,131</b>	<b>\$ 45,883</b>	<b>\$124,014</b>

**Loan Originations, Purchases, Sales and Servicing.** While we originate both fixed-rate and adjustable-rate loans, our ability to generate each type of loan depends upon borrower demand, market interest rates, borrower preference for fixed- versus adjustable-rate loans, and the interest rates offered on each type of loan by other lenders in our market area. These lenders include competing banks, savings banks, credit unions, internet lenders, mortgage banking companies and life insurance companies that may also actively compete for local commercial real estate loans. Loan originations are derived from a number of sources, including real estate agent referrals, existing customers, borrowers, builders, attorneys, our directors, walk-in customers and our own sales force. Upon receiving a loan application, we obtain a credit report and employment verification to verify specific information relating to the applicant's employment, income, and credit standing. In the case of a real estate loan, we obtain a determination of value of the real estate intended to collateralize the proposed loan. Our residential mortgage officers have residential mortgage lending authority up to \$150,000. While certain Senior Bank Officers have residential lending limits up to \$400,000, the Officer Loan Committee generally approves residential loans from \$150,000 to \$500,000, while requests over \$500,000 must be approved by the Board of Directors. Secured consumer lending limits by officer range from \$25,000 to \$50,000, while certain Senior Bank Officers have secured consumer lending limits up to \$150,000. For secured commercial loans, the limits range from \$100,000 to \$400,000. Senior Loan Committee generally approves secured commercial loans from \$400,000 to \$500,000, while requests over \$500,000 must be approved by the Board of Directors.

A commercial commitment letter specifies the terms and conditions of the proposed loan including the amount of the loan, interest rate, amortization term, a brief description of the required collateral, and required insurance coverage. Commitments are typically issued for 15-day periods. The borrower must provide proof of fire and casualty insurance

on the property serving as collateral, which must be maintained during the full term of the loan. A title insurance policy is required on all real estate loans. At March 31, 2014, we had outstanding loan commitments of \$19.2 million, including unfunded commitments under lines of credit and commercial and standby letters of credit.

Our loan origination and sales activity may be adversely affected by a rising interest rate environment that typically results in decreased loan demand, while declining interest rates may stimulate increased loan demand. Accordingly, the volume of loan originations, the mix of fixed- and adjustable-

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rate loans, and the profitability of this activity can vary from period to period. One- to four-family residential mortgage loans are generally underwritten to investor guidelines, and closed on standard investor documents. We currently sell loans to Freddie Mac and the Federal Home Loan Bank of Indianapolis (the "FHLB"). If such loans are sold, the sales are conducted using standard investor purchase contracts and master commitments as applicable. The majority of one- to four-family mortgage loans that we have sold to investors have been sold on a non-recourse basis, whereby foreclosure losses are generally the responsibility of the purchaser and not First Federal of Northern Michigan.

We are a qualified loan servicer for both Freddie Mac and the FHLB. Our policy has historically been to retain the servicing rights for all conforming loans sold, and to continue to collect payments on the loans, maintain tax escrows and applicable fire and flood insurance coverage, and supervise foreclosure proceedings if necessary. We retain a portion of the interest paid by the borrower on the loans as consideration for our servicing activities.

We require appraisals of real property securing loans. Appraisals are performed by independent appraisers, who are approved by our Board of Directors annually. We require fire and extended coverage insurance in amounts adequate to protect our principal balance. Where appropriate, flood insurance is also required. Private mortgage insurance is required for most residential mortgage loans with loan-to-value ratios greater than 80%.

***Loan Origination Fees and Costs.*** In addition to interest earned on loans, we generally receive fees in connection with loan originations. Such loan origination fees, net of costs to originate, are deferred and amortized using an interest method over the contractual life of the loan. Fees deferred are recognized into income immediately upon prepayment or subsequent sale of the related loan. At March 31, 2014, we had \$260,000 of net deferred loan origination fees. Such fees vary with the volume and type of loans and commitments made and purchased, principal repayments, and competitive conditions in the mortgage markets, which in turn respond to the demand and availability of money. In addition to loan origination fees, we also generate other income through the sales and servicing of mortgage loans, late charges on loans, and fees and charges related to deposit accounts. We recognized fees and service charges of \$181,000, \$857,000 and \$760,000 for the three months ended March 31, 2014 and for the years ended December 31, 2013 and 2012, respectively.

To the extent that originated loans are sold with servicing retained, we capitalize a mortgage servicing asset at the time of the sale in accordance with applicable accounting standards (FASB ASC 860, "Transfers and Servicing"). The capitalized amount is amortized thereafter (over the period of estimated net servicing income) as a reduction of servicing fee income. The unamortized amount is fully charged to income when loans are prepaid. Originated mortgage servicing rights with an amortized cost of \$812,000 were included on our balance sheet at March 31, 2014. During 2013, we reversed the \$20,000 valuation reserve that was established in 2012 on the value of our rights to service 20 year fixed-rate loans which we have sold to Freddie Mac.



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**Origination, Purchase and Sale of Loans.** The table below shows our loan originations, purchases, sales, and repayments of loans for the periods indicated.

	<b>Three Months Ended March 31,</b>		<b>Years Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(dollars in thousands)</b>				
Loans receivable at beginning of period	\$ 138,084	\$ 140,982	\$ 140,982	\$ 142,675	\$ 160,220
Originations:					
Real estate:					
Residential 1-4 family	4,540	7,520	28,776	52,387	38,150
Commercial and Multi-family	7,073	6,716	33,260	18,182	12,941
Consumer	514	299	1,639	2,040	2,113
Total originations	12,127	14,535	63,675	72,609	53,204
Loan purchases:					
Commercial	-	-	2,844	6,538	1,000
Total loan purchases	-	-	2,844	6,538	1,000
Loan sales	(2,983 )	(5,588 )	(17,776 )	(36,529 )	(28,353 )
Transfer of loans to foreclosed assets	(245 )	(208 )	(1,486 )	(1,823 )	(3,459 )
Repayments	(9,939 )	(12,175 )	(50,155 )	(42,488 )	(39,937 )
Total loans receivable at end of period	\$ 137,044	\$ 137,546	\$ 138,084	\$ 140,982	\$ 142,675

**Delinquent Loans, Other Real Estate Owned and Classified Assets**

**Collection Procedures.** Our general collection procedures provide that when a commercial loan becomes 10 days past due and when a mortgage or consumer loan become 15 days past due, a computer-generated late charge notice is sent to the borrower requesting payment. If delinquency continues, a second delinquent notice is mailed when the loan continues past due for 30 days. If a loan becomes 60 days past due, the loan becomes subject to possible legal action. We will generally send a “due and payable” letter upon a loan becoming 60 days delinquent. This letter grants the borrower 30 days to bring the account paid to date prior to the start of any legal action. If not paid, foreclosure proceedings are initiated after this 30-day period. To the extent required by regulations of the Department of Housing and Urban Development (“HUD”), generally within 30 days of delinquency, a Section 160 HUD notice is given to the borrower which provides access to consumer counseling services. General collection procedures may vary with particular circumstances on a loan by loan basis. Also, collection procedures for Freddie Mac serviced loans follow the Freddie Mac guidelines which are different from our general procedures.

***Loans Past Due and Non-Performing Assets.*** Loans are reviewed on a regular basis and are placed on non-accrual status when, in the opinion of management, the collection of additional interest is doubtful or when extraordinary efforts are required to collect the debt. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income.

Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is deemed real estate owned (“REO”) until such time as it is sold. In general, we consider collateral for a loan to be “in-substance” foreclosed if: (i) the borrower has little or no equity in the collateral; (ii) proceeds for repayment of the loan can be expected to come only from the operation or sale of the collateral; and (iii) the borrower has either formally or effectively abandoned control of the collateral, or retained control of the collateral but is unlikely to be able to rebuild equity in the collateral or otherwise repay the loan in the

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foreseeable future. Cash flow attributable to in-substance foreclosures is used to reduce the carrying value of the collateral.

When collateral, other than real estate, securing commercial and consumer loans is acquired as a result of delinquency or other reasons, it is classified as Other Repossessed Assets (“ORA”) and recorded at the lower of cost or fair market value until it is disposed of.

When collateral is acquired or otherwise deemed REO/ORA, it is recorded at the lower of the unpaid principal balance of the related loan or its estimated net realizable value. This write down is recorded against the allowance for loan losses. Periodic future valuations are performed by management, and any subsequent decline in fair value is charged to operations. At March 31, 2014, we held \$915,000 in properties that were classified REO and \$1.0 million in assets classified as ORA.

**Delinquent Loans.** The following table sets forth certain information with respect to our loan portfolio delinquencies at the dates indicated.

	<b>At March 31 2014</b>	<b>At December 31,</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	
<b>Non-Accrual Loans:</b>						
Residential Mortgage	\$ 329	\$ 651	\$ 1,810	\$ 2,420	\$ 3,114	\$ 2,944
Commercial Mortgage	12	13	821	356	1,148	2,204
Purchased Mortgage Out-of-State	1,441	1,441	2,030	-	-	-
Construction	-	-	-	-	-	1,433
Purchased Construction Out-of-State	173	173	173	173	1,772	2,113
Commercial	-	-	-	-	-	96
Consumer and other	6	7	29	152	206	157
<b>Total non-accrual loans</b>	<b>\$ 1,961</b>	<b>\$ 2,285</b>	<b>\$ 4,863</b>	<b>\$ 3,101</b>	<b>\$ 6,240</b>	<b>\$ 8,947</b>
<b>Accrual loans delinquent 90 days or more:</b>						
Residential Mortgage	-	24	61	238	282	89
Commercial Mortgage	-	-	-	-	82	2,696
Construction	-	-	-	-	-	-
Purchased Construction Out-of-State	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Consumer and other	-	2	6	-	2	54
<b>Total accrual loans delinquent 90 days or more</b>	<b>\$ -</b>	<b>\$ 26</b>	<b>\$ 67</b>	<b>\$ 238</b>	<b>\$ 366</b>	<b>\$ 2,839</b>

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Total nonperforming loans (1)	\$ 1,961	\$ 2,311	\$ 4,930	\$ 3,339	\$ 6,606	\$ 11,786
Real Estate Owned and Other Repossessed Assets:						
Residential Mortgage	443	285	957	1,086	494	584
Commercial Mortgage	472	472	309	1,015	2,304	2,985
Construction	-	-	-	-	-	-
Commercial	-	-	-	-	-	-
Consumer and other	1,023	1,023	1,121	1,307	20	11
Total real estate owned and other repossessed assets (2)	\$ 1,938	\$ 1,780	\$ 2,387	\$ 3,408	\$ 2,818	\$ 3,580
Total nonperforming assets	\$ 3,899	\$ 4,091	\$ 7,317	\$ 6,747	\$ 9,424	\$ 15,366
Total nonperforming loans to total loans receivable	1.43 %	1.67 %	3.50 %	2.37 %	4.12 %	6.73 %
Total nonperforming assets to total assets	1.81 %	1.95 %	3.42 %	3.11 %	4.37 %	6.58 %

(1) All of our loans delinquent 90 days or more are classified as nonperforming.

Represents the net book value of property acquired by us through foreclosure or deed in lieu of foreclosure. Upon (2) acquisition, this property is recorded at the lower of its fair market value or the principal balance of the related loan.

**Nonperforming Assets.** The following table sets forth the amounts and categories of our non-performing assets at the dates indicated.

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	<b>Loan Delinquent For</b>					
	<b>60-89 Days</b>		<b>90 Days and Over</b>		<b>Total</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
<b>(dollars in thousands)</b>						
<b>At March 31, 2014</b>						
Residential Mortgages	-	\$ -	5	\$ 159	5	\$ 159
Commercial Mortgages	1	12	-	-	1	12
Purchased Out-of-State Commercial Mortgages	-	-	1	1,441	1	1,441
Construction	-	-	-	-	-	-
Purchased Out-of-State Construction	-	-	1	173	1	173
Commercial	-	-	-	-	-	-
Consumer	1	2	-	-	1	2
<b>Total</b>	<b>2</b>	<b>\$ 14</b>	<b>7</b>	<b>\$ 1,773</b>	<b>9</b>	<b>1,787</b>
<b>At December 31, 2013</b>						
Residential Mortgages	9	\$ 393	5	\$ 353	14	\$ 746
Commercial Mortgages	2	521	-	-	2	521
Purchased Out-of-State Commercial Mortgages	-	-	1	1,441	1	1,441
Construction	-	-	-	-	-	-
Purchased Out-of-State Construction	-	-	1	173	1	173
Commercial	1	20	-	-	1	20
Consumer	3	59	1	2	4	61
<b>Total</b>	<b>15</b>	<b>\$ 993</b>	<b>8</b>	<b>\$ 1,969</b>	<b>23</b>	<b>2,962</b>
<b>At December 31, 2012</b>						
Residential Mortgages	11	\$ 796	10	\$ 1,198	21	\$ 1,994
Commercial Mortgages	1	540	3	282	4	822
Construction	-	-	-	-	-	-
Purchased Out-of-State Construction	-	-	1	173	1	173
Commercial	-	-	-	-	-	-
Consumer	1	5	3	19	4	24
<b>Total</b>	<b>13</b>	<b>\$ 1,341</b>	<b>17</b>	<b>\$ 1,672</b>	<b>30</b>	<b>3,013</b>
<b>At December 31, 2011</b>						
Residential Mortgages	16	\$ 1,501	23	\$ 1,969	39	\$ 3,470
Commercial Mortgages	3	339	1	245	4	584
Construction	-	-	-	-	-	-
Purchased Out-of-State Construction	-	-	1	173	1	173
Commercial	1	29	-	-	1	29
Consumer	6	59	5	128	11	187
<b>Total</b>	<b>26</b>	<b>\$ 1,928</b>	<b>30</b>	<b>\$ 2,515</b>	<b>56</b>	<b>4,443</b>
<b>At December 31, 2010</b>						
Residential Mortgages	23	\$ 2,056	34	\$ 2,434	57	\$ 4,490
Commercial Mortgages	3	488	8	784	11	1,272
Construction	-	-	2	1,772	2	1,772
Commercial	1	6	-	-	1	6

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Consumer	10	122	9	207	19	329
Total	37	\$ 2,672	53	\$ 5,197	90	7,869

At December 31, 2009

Residential Mortgages	22	\$ 1,819	23	\$ 1,719	45	\$ 3,538
Commercial Mortgages	7	1,125	12	3,705	19	4,830
Construction	2	1,255	1	290	3	1,545
Commercial	3	402	1	80	4	482
Consumer	14	226	14	135	28	361
Total	48	\$ 4,827	51	\$ 5,929	99	10,756

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Interest income that would have been recorded for the year ended December 31, 2013, had non-accruing loans been current according to their original terms amounted to \$1.1 million. Interest of \$203,000 was recognized on these impaired loans prior to placing them on non-accrual status, and is included in net income for the year ended December 31, 2013.

The following table displays the unpaid principal balance and number of loans classified as troubled debt restructurings as of the dates indicated:

	<b>Troubled Debt Restructurings</b>							
	<b>as of March 31, 2014</b>		<b>as of December 31, 2013</b>		<b>as of December 31, 2012</b>		<b>as of December 31, 2011</b>	
	<b>(dollars in thousands)</b>							
	<b>Number of</b>	<b>Unpaid Principal</b>	<b>Number of</b>	<b>Unpaid Principal</b>	<b>Number of</b>	<b>Unpaid Principal</b>	<b>Number of</b>	<b>Unpaid Principal</b>
	<b>Contracts</b>	<b>Balance</b>	<b>Contracts</b>	<b>Balance</b>	<b>Contracts</b>	<b>Balance</b>	<b>Contracts</b>	<b>Balance</b>
Commercial - Construction	1	\$ 173	1	\$ 173	1	\$ 173	-	\$ -
Commercial Real Estate – Other	4	\$ 1,862	6	\$ 3,725	6	\$ 3,872	3	\$ 1,398
Residential	1	\$ 76	2	\$ 267	-	\$ -	-	\$ -
<b>Total</b>	<b>6</b>	<b>\$ 2,111</b>	<b>9</b>	<b>\$ 4,165</b>	<b>7</b>	<b>\$ 4,045</b>	<b>3</b>	<b>\$ 1,398</b>

**Classification of Assets.** Our policies, consistent with regulatory guidelines, provide for the classification of loans and other assets such as debt and equity securities and real estate held for sale considered by the Office of the Comptroller of the Currency (OCC) to be of lesser quality as “substandard,” “doubtful,” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the savings institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard,” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets that do not expose the savings institution to risk sufficient to warrant classification in one of the aforementioned categories, but which possess some weaknesses, are required to be designated “special mention” by management. Loans designated as special mention are generally loans that, while current in required payments, have exhibited some potential weaknesses that, if not corrected, could increase the level of risk in the future.

The allowance for loan losses represents amounts that have been established to recognize losses inherent in the loan portfolio that are both probable and reasonably estimable at the date of the financial statements. When we classify problem assets as loss, we charge-off such amount. Our determination as to the classification of our assets and the

amount of our loss allowances are subject to review by our regulatory agencies, which can order the establishment of additional loss allowances. Management regularly reviews our asset portfolio to determine whether any assets require classification in accordance with applicable regulations. On the basis of management's review of our assets at March 31, 2014, classified assets consisted of substandard assets of \$5.5 million. There were no assets classified as doubtful or loss at March 31, 2014.

We classify our assets pursuant to criteria similar to the classification structure provided in the OCC regulations.



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The following table sets forth the aggregate amount of our internally classified assets at the dates indicated.

	<b>At March 31, 2014</b>	<b>At December 31,</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	
Substandard assets	\$ 5,504	\$ 5,662	\$ 13,008	\$ 16,435	\$ 15,974	\$ 18,141
Doubtful assets	-	-	-	-	-	-
Loss assets	-	-	-	-	-	-
Total classified assets	\$ 5,504	\$ 5,662	\$ 13,008	\$ 16,435	\$ 15,974	\$ 18,141

**Allowance for Loan Losses.** We provide for loan losses based on the allowance method. Accordingly, all loan losses are charged to the related allowance and all recoveries are credited to it. Additions to the allowance for loan losses are provided by charges to income based on various factors which, in management's judgment, deserve current recognition in estimating probable losses. Management regularly reviews the loan portfolio and makes provisions for loan losses in order to maintain the allowance for loan losses in accordance with accounting principles generally accepted in the United States of America. The allowance for loan losses consists of amounts specifically allocated to non-performing loans and other criticized or classified loans (if any) as well as general allowances determined for each major loan category. Commercial loans and loans secured by commercial real estate are evaluated individually for impairment. Other smaller-balance, homogeneous loan types, including loans secured by one- to four-family residential real estate and consumer installment loans, are evaluated for impairment on a collective basis. After we establish a provision for loans that are known to be non-performing, criticized or classified, we calculate percentage loss factors to apply to the remaining categories within the loan portfolio to estimate probable losses inherent in these categories of the portfolio. When the loan portfolio increases, therefore, the percentage calculation results in a higher dollar amount of estimated probable losses than would be the case without the increase, and when the loan portfolio decreases, the percentage calculation results in a lower dollar amount of estimated probable losses than would be the case without the decrease. These percentage loss factors are determined by management based on our historical loss experience and credit concentrations for the applicable loan category, which may be adjusted to reflect our evaluation of levels of, and trends in, delinquent and non-accrual loans, trends in volume and terms of loans, and local economic trends and conditions.

We consider commercial and commercial real estate loans and construction loans to be riskier than the one- to four-family residential mortgage loans that we originate. Commercial and commercial real estate loans have greater credit risks compared to one- to four-family residential mortgage loans, as they typically involve large loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment experience on loans secured by income-producing properties typically depends on the successful operation of the related real estate project and thus may be subject to a greater extent to adverse conditions in the real estate market and in the general economy. Construction loans have greater credit risk than permanent mortgage financing because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost of the project. If the estimate of construction costs is inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the project. If the estimate of value upon completion is inaccurate, the value of the property may be insufficient to assure full repayment. Projects also may be jeopardized by disagreements between borrowers and

builders and by the failure of builders to pay subcontractors. Loans to builders to construct homes for which no purchaser has been identified carry more risk because the repayment of the loan depends on the builder's ability to sell the property prior to the time that the construction loan is due. The increased risk characteristics associated with commercial

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real estate and land loans and construction loans are considered by management in the evaluation of the allowance for loan losses and generally result in a larger loss factor applied to these segments of the loan portfolio in developing an estimate of the required allowance for loan losses. We intend to increase our originations of commercial and commercial real estate loans, and we intend to retain these loans in our portfolio. Because these loans entail significant additional credit risks compared to one- to four-family residential mortgage loans, an increase in our origination (and retention in our portfolio) of these types of loans would, in the absence of other offsetting factors, require us to make additional provisions for loan losses.

The carrying value of loans is periodically evaluated and the allowance is adjusted accordingly. While management uses the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the information used in making the evaluations. In addition, as an integral part of their examination process, our regulatory agencies periodically review the allowance for loan losses. Such agencies may require us to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

**Analysis of the Allowance for Loan Losses.** The following table sets forth the activity on our allowance for loan losses for the periods indicated.

	<b>For the Three Months Ended December 31,</b>						
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>(dollars in thousands)</b>						
Allowance at beginning of period	\$1,472	\$1,750	\$1,750	\$1,518	\$2,831	\$3,660	\$5,647
(Charge-offs):							
Real Estate:							
Residential Mortgages	(35 )	(162 )	(464 )	(840 )	(1,119)	(258 )	(362 )
Nonresidential Real Estate:							
Commercial Mortgages	(16 )	(85 )	(85 )	(265 )	(334 )	(198 )	(4,903)
Purchased In-State	-	-	-	-	-	-	(2,482)
Purchased Out-of-State	-	-	(589 )	-	(93 )	(314 )	-
Construction	-	-	-	-	-	(751 )	-
Purchased In-State	-	-	-	-	-	-	-
Purchased Out-of-State	-	-	-	-	-	(262 )	-
Non Real Estate Loans:							
Commercial	-	-	-	-	(6 )	-	(246 )
Consumer and other	(17 )	(13 )	(53 )	(131 )	(192 )	(319 )	(254 )
Total charge offs	(68 )	(260 )	(1,191)	(1,236)	(1,744)	(2,102)	(8,247)
Recoveries:							
Real Estate:							
Residential Mortgages	10	12	120	65	25	2	-

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Nonresidential Real Estate:							
Commercial Mortgages	19	10	114	10	79	85	-
Construction	-	-	-	-	-	60	-
Non Real Estate Loans:							
Commercial	-	-	-	-	1	-	
Consumer and other	9	19	42	26	42	25	64
Total recoveries	38	41	276	101	147	172	64
Net (charge offs) recoveries	(30 )	(219 )	(915 )	(1,135)	(1,597)	(1,930)	(8,183)
Provision for loan losses	16	144	637	1,367	284	1,101	6,196
Balance at end of year	\$1,458	\$1,675	\$1,472	\$1,750	\$1,518	\$2,831	\$3,660

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**Allocation of Allowance for Loan Losses.** The following table sets forth the allowance for loan losses allocated by loan category, the total loan balances by category, and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	<b>At March 31, 2014</b>		<b>At December 31 2013</b>		<b>2012</b>			
	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>		
	<b>(dollars in thousands)</b>							
Residential Mortgages:								
1 - 4 family residential	\$781	44.4	% \$773	44.0	% \$894	45.3	%	
Purchased Mortgages In-State	11	1.1	% 11	1.2	% 12	1.3	%	
1 - 4 family construction	-	0.9	% -	1.1	% -	0.7	%	
Home Equity & Junior Liens	49	6.2	% 62	6.3	% 99	7.4	%	
Nonresidential Mortgages:								
Nonresidential	267	29.8	% 319	29.8	% 453	29.1	%	
Purchased Nonresidential In-State	-	5.0	% -	5.0	% 50	3.2	%	
Purchased Nonresidential Out-of-State	125	2.7	% 125	2.7	% 76	4.9	%	
Construction	-	0.0	% -	0.0	% 57	1.0	%	
Purchased Construction In-State	-	0.0	% -	0.0	% -	0.4	%	
Purchased Construction Out-of-State	48	0.1	% 48	0.1	% 7	0.1	%	
Non Real Estate Loans:								
Commercial	61	8.7	% 63	8.8	% 66	5.5	%	
Purchased Commercial In-State	-	0.2	% -	0.2	% 3	0.2	%	
Consumer	16	0.9	% 21	0.8	% 33	0.9	%	
Unallocated	100	0.0	% 50	0.0	% -	0.0	%	
Total	\$1,458	100.0	% \$1,472	100.0	% \$1,750	100.0	%	

	<b>At December 31 2011</b>		<b>2010</b>		<b>2009</b>			
	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>		
	<b>(dollars in thousands)</b>							
Residential Mortgages:								
One to four family residential	\$858	45.0	% \$519	42.7	% \$634	44.4	%	
Purchased Mortgages In-State	12	1.3	% 17	2.0	% 12	1.9	%	
1 - 4 family construction	-	0.3	% -	0.1	% 3	0.2	%	
Home Equity & Junior Liens	146	9.4	% 228	10.3	% 214	10.7	%	

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Nonresidential Mortgages:

Nonresidential	320	30.9	%	967	27.3	%	1,055	24.9	%
Purchased Nonresidential In-State	16	1.5	%	94	2.6	%	140	2.2	%
Purchased Nonresidential Out-of-State	57	5.5	%	220	6.2	%	175	4.8	%
Construction	3	0.1	%	245	0.9	%	647	1.6	%
Purchased Construction In-State	-	0.0	%	-	0.0	%	-	0.0	%
Purchased Construction Out-of-State	7	0.1	%	290	1.1	%	350	2.2	%
Non Real Estate Loans:									
Commercial	50	4.6	%	192	4.6	%	316	4.0	%
Purchased Commercial In-State	3	0.3	%	-	0.9	%	73	1.6	%
Consumer	46	1.0	%	59	1.3	%	41	1.5	%
Total	-	0.0	%	\$2,831	100.0	%	\$3,660	100.0	%
	\$1,518	100.0	%						

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**Mortgage Banking Activities**

Our mortgage banking activities involve the origination and subsequent sale of one- to four-family residential mortgage loans. When loans are sold, we generally retain the rights to service those loans thereby maintaining our customer relationships. We intend to use these customer relationships to cross-sell additional products and services. Loans that we sell are originated using the same personnel and the same underwriting policies as loans that we maintain in our portfolio. The decision whether to sell a loan is dependent upon the type of loan product and the term of the loan. In recent years, we have sold most of our fixed-rate one- to four-family residential loans with maturities of 15 years or greater, and have retained servicing on most of these loans.

Mortgage servicing involves the administration and collection of home loan payments. When we acquire mortgage servicing rights through the origination of mortgage loans and the subsequent sale of those loans with servicing rights retained, we allocate a portion of the total cost of the mortgage loans to the mortgage servicing rights based on their relative fair value. As of March 31, 2014, we were servicing loans sold to third parties totaling \$129.9 million, and the mortgage servicing rights associated with such loans had a book value, net of valuation reserve, at such date of \$812,000. Generally, the value of mortgage servicing rights increases as interest rates rise and decreases as interest rates fall, because the estimated life and estimated income from the underlying loans increase with rising interest rates and decrease with falling interest rates.

**Insurance Brokerage Activities**

In March 2003, we acquired InsuranCenter of Alpena (“ICA”), a licensed insurance agency, to increase and diversify our sources of non-interest income. In April 2008, ICA sold to a non-related third party the rights to service certain health insurance contracts and collect commissions on the contracts written through the local Chambers of Commerce. This sale resulted in a nominal gain to us, but reduced health insurance revenues. The sale also reduced non-interest expenses and amortization of intangibles.

On February 27, 2009, we sold the majority of the assets of ICA. We retained the residual income stream associated with the April 2008 sale of its wholesale Blue Cross/Blue Shield override business to the third party. We continue to collect the residual revenue stream associated with this sale through FFNM Agency, the successor company to ICA.

See “-Subsidiary Activity” for a further discussion of ICA and FFNM Agency.

**Investment Activities**

Our investment securities portfolio is comprised of U.S. Government, state agency and municipal obligations, and mortgage-backed securities, of which \$56.4 million, or 96.2%, at March 31, 2014 was classified as available-for-sale, and \$2.3 million, or 3.8%, of the total portfolio was classified as held-to-maturity. At March 31, 2014, we had no investments in unrated securities. At March 31, 2014, \$18.6 million, or 31.8% of our investment portfolio was scheduled to mature in less than five years, and \$39.9 million, or 68.2%, was scheduled to mature in over five years. At March 31, 2014, \$2.5 million, or 4.3% of our investment portfolio was scheduled to mature in less than one year.

At March 31, 2014, we held U.S. Government and state agency obligations and municipal obligations classified as available-for-sale, with a fair market value of \$27.3 million. While these securities generally provide lower yields than other investments such as mortgage-backed securities, our



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current investment strategy is to maintain investments in such instruments to the extent appropriate for liquidity purposes, as collateral for borrowings, and for prepayment protection.

We invest in mortgage-backed securities in order to: generate positive interest rate spreads with minimal administrative expense; lower credit risk as a result of the guarantees provided by Ginnie Mae and, to a lesser extent, Fannie Mae and Freddie Mac; supplement local loan originations; reduce interest rate risk exposure; and increase liquidity. Our mortgage-backed securities portfolio consists of pass-through certificates. At March 31, 2014, the fair market value of mortgage-backed securities totaled \$30.4 million, or 51.7% of total investments. All of our pass-through certificates are insured or guaranteed by Freddie Mac, Ginnie Mae or Fannie Mae. Our policy is to hold mortgage-backed securities as available-for-sale.

We have interests in pools of single-family mortgages in which the principal and interest payments are from the mortgage originators, through intermediaries (generally government-sponsored agencies) that pool and repackage loans and sell the participation interest in the form of securities, to investors. These government-sponsored agencies include Freddie Mac, Ginnie Mae, or Fannie Mae. The underlying pool of mortgages can be comprised of either fixed-rate mortgage loans or adjustable-rate mortgage loans. The interest rate risk characteristics of the underlying pool of mortgages, i.e., fixed-rate or adjustable rate, are shared by the investors in that pool.

Our investment policy also permits investment in corporate debt obligations. Although corporate bonds may offer higher yields than U.S. Treasury or agency securities of comparable duration, corporate bonds also have a higher risk of default due to possible adverse changes in the creditworthiness of the issuer.

We are required under federal regulations to maintain a minimum amount of liquid assets that may be invested in specified short term securities and certain other investments. We generally have maintained a portfolio of liquid assets that exceeds regulatory requirements. Liquidity levels may be increased or decreased depending upon the yields on investment alternatives and upon management's judgment as to the attractiveness of the yields then available in relation to other opportunities and its expectation of the level of yield that will be available in the future, as well as management's projections as to the short term demand for funds to be used in our loan origination and other activities.

ASC 320-10 requires that, at the time of purchase, we designate a security as held to maturity, available for sale, or trading, depending on our ability and intent. Securities available for sale are reported at fair value. As of March 31, 2014, all of our investment securities were designated as available for sale except for \$2.3 million in municipal bond investments designated as held to maturity.

At March 31, 2014 we had no investment in a single company or entity (other than an agency of the U.S. Government or U.S. Government-sponsored enterprise) that had an aggregate book value in excess of 10% of our equity.



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**Investment Securities Portfolio.** The following table sets forth the composition of our investment securities portfolio at the dates indicated.

	At March 31, 2014		At December 31, 2013		2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<b>(dollars in thousands)</b>								
Debt Securities:								
U.S. Government and agency obligations	\$10,345	\$10,285	\$7,111	\$7,042	\$9,181	\$9,247	\$14,756	\$14,863
Municipal obligations	16,823	17,040	15,949	16,009	12,758	13,328	9,362	9,941
Corporate bonds and other obligations	1,072	1,082	1,085	1,097	1,135	1,150	-	-
Mortgage-backed securities:								
Pass-through securities:								
Fannie Mae	10,562	10,524	11,052	10,941	6,486	6,587	4,984	4,990
Freddie Mac	5,797	5,770	2,989	2,940	4,045	4,110	3,981	3,974
Ginnie Mae	13,925	14,126	14,667	14,722	18,370	18,911	21,385	21,945
Total debt securities	58,524	58,827	52,853	52,751	51,975	53,333	54,468	55,713
Marketable equity securities								
Common stock	3	10	3	7	3	1	3	1
Total equity securities	3	10	3	7	3	1	3	1
Total investment securities	\$58,527	\$58,837	\$52,856	\$52,758	\$51,978	\$53,334	\$54,471	\$55,714

**Portfolio Maturities and Yields.** The composition and maturities of the investment securities portfolio at March 31, 2014 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. State and municipal securities yields have not been adjusted to a tax-equivalent basis.

At March 31, 2014				
One Year or Less	More than One Year Through Five years	More than Five Years Through Ten Years	More than Ten Years	Total Securities

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	<b>Weighted Amortized Cost</b>	<b>Weighted Average Yield</b>	<b>Weighted Amortized Cost</b>	<b>Weighted Average Yield</b>	<b>Weighted Amortized Cost</b>	<b>Weighted Average Yield</b>	<b>Weighted Amortized Cost</b>	<b>Weighted Average Yield</b>	<b>Weighted Amortized Cost</b>	<b>Fair Value</b>	<b>Weighted Average Yield</b>
<b>(dollars in thousands)</b>											
Debt Securities:											
U.S. Government and agency securities	\$1,001	3.13%	\$8,345	1.89%	\$999	2.19%	\$-	0.00%	\$10,345	\$10,285	2.04%
State agency and municipal obligations	1,490	4.63%	6,581	2.54%	6,542	2.41%	2,210	4.54%	16,823	17,040	2.94%
Corporate bonds and other obligations	-	0.00%	1,072	6.90%	-	0.00%	-	0.00%	1,072	1,082	6.90%
Mortgage-backed securities											
Fannie Mae	-	0.00%	74	4.50%	10,488	2.48%	-	0.00%	10,562	10,524	2.50%
Freddie Mac	-	0.00%	4	1.63%	4,066	2.86%	1,727	0.00%	5,797	5,770	2.99%
Ginnie Mae	-	0.00%	40	3.38%	-	0.00%	13,885	3.35%	13,925	14,126	3.35%
Total debt securities	2,491		16,116		22,095		17,822		58,524	58,827	
Marketable equity securities:											
Common Stock	-	0.00%	-	0.00%	-	0.00%	3	0.00%	3	10	0.00%
Total investment securities	\$2,491		\$16,116		\$22,095		\$17,825		\$58,527	\$58,837	

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**General.** Deposits are the major source of our funds for lending and other investment purposes. We generate deposits from our eight full-service offices in Alpena, Mio, Cheboygan, Oscoda, Lewiston, Alanson and Gaylord. In addition to deposits, we derive funds from borrowings, proceeds from the settlement of loan sales, the amortization and prepayment of loans and mortgage-backed securities, the maturity of investment securities, and operations. Scheduled loan principal repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are influenced significantly by general interest rates and market conditions. Borrowings are used on a short-term basis to compensate for reductions in the availability of funds from other sources or on a longer term basis for general business purposes. We currently are managing liquidity levels and loan funding primarily through secondary mortgage market sales and Federal Home Loan Bank advances.

**Deposits.** We generate deposits primarily from our market area by offering a broad selection of deposit instruments including NOW accounts, regular savings, money market deposits, term certificate accounts and individual retirement accounts. Deposit account terms vary according to the minimum balance required, the period of time during which the funds must remain on deposit, and the interest rate, among other factors. The rate of interest which we must pay is not established by regulatory authority. The asset/liability committee regularly evaluates our internal cost of funds, surveys rates offered by competing institutions, reviews the cash flow requirements for lending and liquidity, and executes rate changes when deemed appropriate. We have sought to decrease the risk associated with changes in interest rates by offering competitive rates on some deposit accounts and by pricing certificates of deposit to provide customers with incentives to choose certificates of deposit with longer maturities. We also attract non-interest bearing commercial deposit accounts from our commercial borrowers and offer a competitive non-deposit sweep product that is not insured by the FDIC. In recent periods, we generally have not obtained funds through brokers or through a solicitation of funds outside our market area. At March 31, 2014 we had \$4.9 million in brokered deposits from CDAR's and ICS sweep program. We offer a limited amount of certificates of deposit in excess of \$100,000 which may have negotiated rates. Future liquidity needs are expected to be satisfied through the both the use of Federal Home Loan Bank borrowings, as necessary, and through growth in deposits. Management does not generally plan on paying above-market rates on deposit products, although from time-to-time we may do so as liquidity needs dictate.

The following table sets forth the distribution of total deposit accounts, by account type, at the dates indicated.

	At March 31, 2014			At December 31, 2013			2012			2011		
	Amount	Percent of Total		Weighted Average Interest Rate	Amount	Percent of Total		Weighted Average Interest Rate	Amount	Percent of Total		Weighted Average Interest Rate
	(dollars in thousands)											
Non-interest-bearing	\$21,713	13.10 %	NA		\$21,047	13.15 %	NA		\$21,067	13.30 %	NA	\$12,609

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NOW accounts	25,364	15.31 %	0.14 %	22,794	14.24 %	0.13 %	19,531	12.33 %	0.21 %	18,602
Passbook	23,343	14.09 %	0.05 %	22,037	13.77 %	0.05 %	19,867	12.55 %	0.05 %	17,873
Money market accounts	29,271	17.66 %	0.14 %	27,428	17.14 %	0.15 %	24,687	15.59 %	0.22 %	23,193
Time deposits that mature:										
Less than 12 months	31,311	18.89 %	0.70 %	32,952	20.59 %	0.60 %	39,161	24.73 %	0.85 %	38,503
Within 12-36 months	24,588	14.84 %	1.10 %	24,273	15.17 %	1.33 %	28,701	18.13 %	1.33 %	32,580
Beyond 36 months	10,130	6.11 %	1.73 %	9,498	5.94 %	1.67 %	5,336	3.37 %	2.10 %	7,290
Jumbo	-	0.00 %	0.00 %	-	0.00 %	0.00 %	-	0.00 %	0.00 %	-
Total deposits	\$165,720	100.00 %	0.68 %	\$160,029	100.00 %	0.68 %	\$158,350	100.00 %	0.68 %	\$150,650

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**Time Deposit Rates.** The following table sets forth time deposits classified by rates as of the dates indicated:

Rate	At			
	March 31, 2014	At December 31, 2013	2012	2011
	<b>(dollars in thousands)</b>			
0.50 percent to 0.99 percent	\$38,595	\$40,259	\$42,698	\$38,802
1.00 percent to 1.99 percent	19,233	17,715	15,962	18,343
2.00 percent to 2.99 percent	6,665	7,130	10,746	16,057
3.00 percent to 3.99 percent	1,420	1,486	3,398	4,078
4.00 percent to 4.99 percent	116	133	394	1,092
	\$66,029	\$66,723	\$73,198	\$78,372

**Time Deposit Maturities.** The following table sets forth the amount and maturities of time deposits at March 31, 2014.

Rate	Less Than One Year	1 - Less	2 - Less	3 - Less	5 years	Total
		than 2 Years	than 3 Years	than 5 Years	and Greater	
	<b>(dollars in thousands)</b>					
0.50 percent to 0.99 percent	\$25,792	\$11,816	\$808	\$179	\$-	\$38,595
1.00 percent to 1.99 percent	3,344	1,743	6,368	7,505	273	19,233
2.00 percent to 2.99 percent	1,591	3,335	189	120	1,430	6,665
3.00 percent to 3.99 percent	584	262	-	574	-	1,420
4.00 percent to 4.99 percent	-	60	7	49	-	116
	\$31,311	\$17,216	\$7,372	\$8,427	\$1,703	\$66,029

As of March 31, 2014, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to \$100,000 was \$22.7 million. The following table sets forth the maturity of those certificates as of March 31, 2014.

Maturity Period	Certificates of Deposit in excess of \$100,000 (dollars in thousands)
Three months or less	\$ 4,864
Three through six months	1,938
Six through twelve months	4,682

Over twelve months	11,211
Total	\$ 22,695

***Borrowings.*** Our borrowings consist primarily of advances from the Federal Home Loan Bank of Indianapolis. At March 31, 2014, we had access to additional Federal Home Loan Bank advances of up to \$28.5 million, based upon pledged collateral. The following table sets forth information concerning balances and interest rates on our Federal Home Loan Bank advances and other borrowings at the dates and for the periods indicated.



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	<b>Month Ended March 31, 2014</b>	<b>Years Ended December 31,</b>			
		<b>2013</b>	<b>2012</b>	<b>2011</b>	
		<b>(dollars in thousands)</b>			
Balance at end of period	\$24,233	\$24,813	\$26,358	\$34,500	
Average balance during period	23,431	24,065	31,260	31,217	
Maximum outstanding at any month end	24,233	25,313	35,600	36,200	
Weighted average interest rate at end of period	1.06 %	1.00 %	1.46 %	2.30 %	
Average interest rate during period	1.08 %	1.25 %	1.88 %	2.16 %	

**Subsidiary Activity**

First Federal Bancorp's only direct subsidiary is First Federal.

First Federal has two wholly owned subsidiaries and these have been consolidated in the financial statements and all inter-company balances and transactions have been eliminated in consolidation.

One subsidiary, Financial Services & Mortgage Corporation, leases, sells, develops and maintains real estate properties. For reporting purposes, Financial Services & Mortgage Corporation is included in our banking segment. As of March 31, 2014, First Federal's investment in Financial Services & Mortgage Corporation was \$92,000. The primary asset of the subsidiary was an investment in land and real estate but as of December 31, 2011 all real estate had been sold. See "Real Estate Development Activities." Financial Services & Mortgage Corporation is not currently a party to any agreement that is material to First Federal Bancorp on a consolidated basis.

First Federal's second subsidiary, FFNM Agency, Inc., collects the residual income stream associated with the April 2008 sale of the Company's wholesale health insurance override business to a third party. FFNM Agency is the successor company to the InsuranCenter of Alpena ("ICA"). On February 27, 2009, we sold the majority of the assets of ICA.

**Personnel**

As of March 31, 2014, First Federal had 67 full-time and 22 part-time employees. None of the Bank's employees is represented by a collective bargaining group. First Federal believes its relationship with its employees to be good. First Federal Bancorp, FFNM Agency, Inc. and FSMC have no separate employees.

## **SUPERVISION AND REGULATION**

### **General**

As a federal savings bank, First Federal of Northern Michigan is subject to examination and regulation by the Office of the Comptroller of the Currency ("OCC"), and is also subject to examination by the Federal Deposit Insurance Corporation ("FDIC"). Prior to July 21, 2011, the Office of Thrift Supervision was First Federal of Northern Michigan's primary federal regulator. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which is discussed further below, eliminated the Office of Thrift Supervision and transferred the Office of Thrift Supervision's functions relating to federal savings banks, including rulemaking authority, to the OCC, effective July 21, 2011. The federal system of regulation and supervision establishes a comprehensive

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framework of activities in which First Federal of Northern Michigan may engage and is intended primarily for the protection of depositors and the FDIC's Deposit Insurance Fund.

First Federal of Northern Michigan also is regulated to a lesser extent by the Board of Governors of the Federal Reserve System, or the "Federal Reserve Board", which governs the reserves to be maintained against deposits and other matters. In addition, First Federal of Northern Michigan is a member of and owns stock in the Federal Home Loan Bank of Indianapolis, which is one of the twelve regional banks in the Federal Home Loan Bank System. First Federal of Northern Michigan's relationship with its depositors and borrowers also is regulated to a great extent by federal law and, to a lesser extent, state law, including in matters concerning the ownership of deposit accounts and the form and content of First Federal of Northern Michigan's loan documents.

As a savings and loan holding company, First Federal of Northern Michigan Bancorp is subject to examination and supervision by, and is required to file certain reports with, the Federal Reserve Board. The Office of Thrift Supervision's functions relating to savings and loan holding companies were transferred to the Federal Reserve Board on July 21, 2011 pursuant to the Dodd-Frank Act regulatory restructuring. First Federal of Northern Michigan Bancorp is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Set forth below are certain material regulatory requirements that are applicable to First Federal of Northern Michigan and First Federal of Northern Michigan Bancorp. This description of statutes and regulations is not intended to be a complete description of such statutes and regulations and their effects on First Federal of Northern Michigan and First Federal of Northern Michigan Bancorp. Any change in these laws or regulations, whether by Congress or the applicable regulatory agencies, could have a material adverse impact on First Federal of Northern Michigan Bancorp, First Federal of Northern Michigan and their operations.

### **Dodd-Frank Act**

As noted above, the Dodd-Frank Act made significant changes to the regulatory structure for depository institutions and their holding companies. However, the Dodd-Frank Act's changes go well beyond that and affect the lending, investments and other operations of all depository institutions. The Dodd-Frank Act required the Federal Reserve Board to set minimum capital levels for both bank holding companies and savings and loan holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital for holding companies were restricted to capital instruments that were then currently considered to be Tier 1 capital for insured depository institutions. Bank holding companies with assets of less than \$500 million are exempt from these capital requirements. Proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than \$15 billion of assets. These capital requirements do not apply to savings and loan holding companies until five years after the July 21, 2010 enactment date of the Dodd-Frank Act. The legislation also established a floor for capital of insured depository

institutions that cannot be lower than the standards in effect upon passage, and directed the federal banking regulators to implement new leverage and capital requirements that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as First Federal of Northern Michigan, including the authority to prohibit “unfair,

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deceptive or abusive” acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets. Banks and savings institutions with \$10 billion or less in assets are still examined for compliance by their applicable bank regulators. The new legislation also weakened the federal preemption available for national banks and federal savings associations, and gave state attorneys general the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act broadened the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The legislation also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2008, and noninterest bearing transaction accounts had unlimited deposit insurance through December 31, 2012. The Dodd-Frank Act increased stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not. Further, the legislation requires that originators of securitized loans retain a percentage of the risk for transferred loans, directs the Federal Reserve Board to regulate pricing of certain debit card interchange fees and contains a number of reforms related to mortgage origination.

Many provisions of the Dodd-Frank Act involve delayed effective dates and/or require implementing regulations. Their impact on operations cannot yet fully be assessed. However, there is a significant possibility that the Dodd-Frank Act will result in an increased regulatory burden and compliance, operating and interest expense for First Federal of Northern Michigan and First Federal of Northern Michigan Bancorp.

## **Federal Banking Regulation**

***Business Activities.*** A federal savings bank derives its lending and investment powers from the Home Owners’ Loan Act, and the regulations of the OCC. Under these laws and regulations, First Federal of Northern Michigan may invest in mortgage loans secured by residential and commercial real estate, commercial business and consumer loans, certain types of debt securities and certain other loans and assets. First Federal of Northern Michigan also may establish subsidiaries that may engage in activities not otherwise permissible for First Federal of Northern Michigan directly, including real estate investment, securities brokerage and insurance agency services.

***Capital Requirements.*** OCC regulations require savings banks to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% leverage ratio (3% for institutions receiving the highest CAMELS rating) and an 8% risk-based capital ratio. The prompt corrective action standards discussed below, in effect, establish a minimum 2% tangible capital standard.

The risk-based capital standard for savings banks requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 100%, assigned by the OCC capital regulation based on the risks inherent in the type of asset. Core capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital currently include cumulative preferred stock, long-term perpetual preferred stock,

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mandatory convertible securities, subordinated debt and intermediate preferred stock, allowance for loan and lease losses up to a maximum of 1.25% of risk-weighted assets, and up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital.

Additionally, a savings association that retains credit risk in connection with an asset sale may be required to maintain regulatory capital because of the recourse back to the savings association. In assessing an institution's capital adequacy, the OCC takes into consideration not only three numeric factors but also qualitative factors as well, and has the authority to establish higher capital requirements for individual associations where necessary.

In July, 2013, the OCC and the other federal bank regulatory agencies issued a final rule to revise their risk-based and leverage capital requirements and their method for calculating risk-weighted assets, to make them consistent with the agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. The final rule applies to all depository institutions, top-tier bank holding companies with total consolidated assets of \$500 million or more, and top-tier savings and loan holding companies ("banking organizations"). Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on non-accrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets. The final rule becomes effective for us on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective.

At March 31, 2014, First Federal of Northern Michigan's capital exceeded all applicable requirements. The following table sets forth the Bank's capital position at March 31, 2014 and December 31, 2013 and 2012, as compared to the minimum capital requirements.

	<b>At March 31, 2014</b>			<b>At December 31, 2013</b>			<b>2012</b>		
	<b>Amount</b>	<b>Percent of Assets</b>		<b>Amount</b>	<b>Percent of Assets</b>		<b>Amount</b>	<b>Percent of Assets</b>	
	<b>(dollars in thousands)</b>			<b>(dollars in thousands)</b>					
Equity capital	\$23,247	10.9 %		\$22,701	10.9 %		\$23,304	11.0 %	
Tangible Capital Requirement:									
Tangible capital level	22,773	10.6 %		22,563	10.8 %		22,015	10.3 %	

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Requirement	3,220	1.5	%	3,137	1.5	%	3,197	1.5	%
Excess	19,553	9.1	%	19,426	9.3	%	18,818	8.8	%
Core Capital Requirement:									
Core capital level	22,773	10.6	%	22,563	10.8	%	22,015	10.3	%
Requirement	8,586	4.0	%	8,366	4.0	%	8,526	4.0	%
Excess	14,187	6.6	%	14,197	6.8	%	13,489	6.3	%
Risk-based Capital Requirement:									
Risk-based capital level	24,231	18.1	%	24,033	17.9	%	23,723	17.4	%
Requirement	10,686	8.0	%	10,748	8.0	%	10,930	8.0	%
Excess	13,545	10.1	%	13,285	9.9	%	12,793	9.4	%



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**Loans to One Borrower.** A federal savings bank generally may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus on an unsecured basis. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of March 31, 2014, First Federal was in compliance with the loans-to-one-borrower limitations.

**Qualified Thrift Lender Test.** As a federal savings bank, First Federal is subject to a qualified thrift lender, or “QTL,” test. Under the QTL test, First Federal of Northern Michigan must maintain at least 65% of its “portfolio assets” in “qualified thrift investments” in at least nine months of the most recent 12-month period.

A savings bank that fails the QTL test must operate under specified restrictions. The Dodd-Frank Act made noncompliance with the QTL test potentially subject to agency enforcement action for a violation of law. At March 31, 2014, First Federal maintained approximately 88.5% of its portfolio assets in qualified thrift investments, and therefore satisfied the QTL test.

**Capital Distributions.** OCC regulations govern capital distributions by a federal savings bank, which include cash dividends, stock repurchases and other transactions charged to the institution’s capital account. A savings bank must file an application for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings bank’s net income for that year to date plus the savings bank’s retained net income for the preceding two years;
- the savings bank would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or Office of the Comptroller of the Currency-imposed condition; or
- the savings bank is not eligible for expedited treatment of its filings.

Even if an application is not otherwise required, every savings bank that is a subsidiary of a savings and loan holding company, such as First Federal, must still file a notice with the Federal Reserve Board at least 30 days before the board of directors declares a dividend or approves a capital distribution.

A notice or application related to a capital distribution may be disapproved if:

- the federal savings bank would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings bank also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

***Community Reinvestment Act and Fair Lending Laws.*** All savings banks have a responsibility under the Community Reinvestment Act and related regulations of the OCC to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In connection with its examination of a federal savings bank, the OCC is required to assess the savings bank's record of compliance with the Community Reinvestment Act. In addition, the Equal Credit Opportunity Act and

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the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. A savings bank's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in regulatory restrictions on its activities. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice. First Federal of Northern Michigan received an "Outstanding" Community Reinvestment Act rating in its two most recent federal examinations.

**Transactions with Related Parties.** A federal savings bank's authority to engage in transactions with its "affiliates" is limited by Office of the Comptroller of the Currency regulations and Regulation W of the Federal Reserve Board, which implements Sections 23A and 23B of the Federal Reserve Act. The term "affiliates" for these purposes generally means any company that controls or is under common control with an institution. First Federal of Northern Michigan Bancorp, Inc. and its non-savings institution subsidiaries will be affiliates of First Federal of Northern Michigan. In general, transactions with affiliates must be on terms that are as favorable to the savings bank as comparable transactions with non-affiliates. In addition, certain types of these transactions are restricted to an aggregate percentage of the savings bank's capital. Collateral in specified amounts must usually be provided by affiliates in order to receive loans from the savings bank. In addition, Office of the Comptroller of the Currency regulations prohibit a savings bank from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary.

First Federal of Northern Michigan's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions require that extensions of credit to insiders (i) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features, and (ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of First Federal of Northern Michigan's capital. In addition, extensions of credit in excess of certain limits must be approved by First Federal of Northern Michigan's Board of Directors.

**Enforcement.** The OCC has primary enforcement responsibility over federal savings banks and has the authority to bring enforcement action against all "institution-affiliated parties," including stockholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the savings bank, receivership, conservatorship or the termination of deposit insurance. Civil penalties cover a wide range of violations and actions, and range up to \$25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as \$1 million per day. The FDIC also has the authority to recommend to the Director of the Office of the Comptroller of the Currency that enforcement action be taken with respect to a particular savings bank. If action is not taken by the Director, the Federal Deposit Insurance Corporation has authority to take action under specified circumstances.

***Standards for Safety and Soundness.*** Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as

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the agency deems appropriate. The federal banking agencies adopted Interagency Guidelines Prescribing Standards for Safety and Soundness to implement the safety and soundness standards required under federal law. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The guidelines address internal controls and information systems, internal audit systems, credit underwriting, loan documentation, interest rate risk exposure, asset growth, compensation, fees and benefits. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to submit a compliance plan.

**Federal Insurance of Deposit Accounts.** The Dodd-Frank Act permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2008.

Under the FDIC's risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other risk factors. Rates are based on each institution's risk category and certain specified risk adjustments. Stronger institutions pay *lower* rates while riskier institutions pay higher rates.

In February 2011, the FDIC published a final rule under the Dodd-Frank Act to reform the deposit insurance assessment system. The rule redefined the assessment base used for calculating deposit insurance assessments effective April 1, 2011. Under the rule, assessments are based on an institution's average consolidated total assets minus average tangible equity instead of total deposits. The rule revised the assessment rate schedule to establish assessments ranging from 2.5 to 45 basis points. Deposit assessments were prepaid in December 2009 for the fourth quarter of 2009 and for calendar years 2010 through 2012. Estimated assessments were based on certain assumptions specified by the FDIC, including a 5% annual growth rate. Prepaid assessments are to be applied against actual assessments until the prepaid assessments are exhausted. Unused prepayments were returned to the institutions on June 28, 2013. We recorded the prepayment of assessments as a prepaid expense, which was amortized to expense during the three year period. Our prepayment amount was \$1.4 million and we received a reimbursement of \$509,000.

In addition to the FDIC assessments, the Financing Corporation ("FICO") is authorized to impose and collect, with the *approval* of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the FICO are due to mature in 2017 through 2019. For the quarter ended March 31, 2014, the annualized Financing Corporation assessment was equal to 0.62 of a basis point of total assets less tangible capital.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by June 30, 2020.

Insured institutions with assets of \$10 billion or more are supposed to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC and the FDIC has exercised that discretion by establishing a long-term fund ratio of 2%.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of First Federal of Northern Michigan. Management cannot predict what assessment rates will be in the future.

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Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

**Prompt Corrective Action.** The “prompt corrective action” provisions of the FDIA create a statutory framework that applies a system of both discretionary and mandatory supervisory actions indexed to the capital level of FDIC-insured depository institutions. These provisions impose progressively more restrictive *constraints* on operations, management, and capital distributions of the institution as its regulatory capital decreases, or in some cases, based on supervisory information other than the institution’s capital level. This framework and the authority it confers on the federal banking agencies supplement other existing authority vested in such agencies to initiate supervisory actions to address capital deficiencies. Moreover, other provisions of law and regulation employ regulatory capital level designations the same as or similar to those established by the prompt corrective action provisions both in imposing certain restrictions and limitations and in conferring certain economic and other benefits upon institutions. These include restrictions on brokered deposits, limits on exposure to interbank liabilities, determination of risk-based FDIC deposit insurance premium assessments, and action upon regulatory applications.

The recently proposed rules that would increase regulatory capital requirements would adjust prompt corrective categories accordingly. See “- Capital Requirements” above.

**Prohibitions Against Tying Arrangements.** Federal savings banks are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the savings bank or its affiliates or not obtain services of a competitor of the savings bank.

**Federal Home Loan Bank System.** First Federal of Northern Michigan is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions. As a member of the Federal Home Loan Bank of Indianapolis, First Federal of Northern Michigan is required to acquire and hold shares of capital stock in the Federal Home Loan Bank in an amount equal to at least 1% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year, or 1/20 of its borrowings from the Federal Home Loan Bank, whichever is greater. As of March 31, 2014, First Federal was in compliance with this requirement.

## **Other Regulations**

Interest and other charges collected or contracted for by First Federal of Northern Michigan are subject to state usury laws and federal laws concerning interest rates. First Federal of Northern Michigan's operations are also subject to federal laws applicable to credit transactions, such as the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by



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collection agencies;

· Truth in Savings Act; and

· rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

· The operations of First Federal of Northern Michigan also are subject to the:

· Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

· Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;

· Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;

· Title III of The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (referred to as the "USA PATRIOT Act"), which significantly expanded the responsibilities of financial institutions, including savings and loan associations, in preventing the use of the American financial system to fund terrorist activities. Among other provisions, the USA PATRIOT Act and the related regulations of the OCC require savings associations operating in the United States to develop new anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control regulations; and

· The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to "opt out" of the sharing of certain personal financial information with unaffiliated third parties.

## **Federal Reserve System**

Federal Reserve Board regulations require savings banks to maintain non-interest-earning reserves against their transaction accounts, such as negotiable order of withdrawal and regular checking accounts. At March 31, 2014, First Federal of Northern Michigan was in compliance with these reserve requirements. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements imposed by the Office of the Comptroller of the Currency.

## **The USA PATRIOT Act**

The USA PATRIOT Act gives the federal government new powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. Certain provisions of the Act impose affirmative obligations on a broad range of financial

institutions, including federal savings banks, like First Federal of Northern Michigan. These obligations include enhanced anti-money laundering programs, customer identification programs and regulations relating to private banking accounts or correspondence accounts in the United States for non-United States persons or their representatives (including foreign individuals visiting the United States).

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First Federal of Northern Michigan has established policies and procedures to ensure compliance with the USA PATRIOT Act's provisions, and the impact of the USA PATRIOT Act on our operations has not been material.

### **Holding Company Regulation**

Pursuant to the Dodd-Frank Act, as of July 21, 2011, the Federal Reserve Board succeeded the Office of Thrift Supervision as the regulator for savings and loan holding companies, such as First Federal of Northern Michigan Bancorp, Inc.

**General.** First Federal of Northern Michigan Bancorp, Inc. is a non-diversified unitary savings and loan holding company within the meaning of the Home Owners' Loan Act. As such, First Federal of Northern Michigan Bancorp, Inc. is registered with the Federal Reserve Board and subject to examination and supervision by the Federal Reserve Bank of Chicago. First Federal of Northern Michigan Bancorp, Inc. is subject to the Federal Reserve Board regulations (including applicable regulations of the former Office of Thrift Supervision), and reporting requirements. In addition, the Federal Reserve Board has enforcement authority over First Federal of Northern Michigan Bancorp, Inc. and its non-insured subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution.

Savings and loan holding companies are not currently subject to specific regulatory capital requirements. The Dodd-Frank Act, however, requires the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. Instruments such as cumulative preferred stock and trust preferred securities will no longer be includable as Tier 1 capital, as is currently the case with bank holding companies. Instruments issued prior to May 19, 2010 are grandfathered for companies with consolidated assets of \$15 billion or less. There is a five-year transition period (from the July 21, 2010 effective date of the Dodd-Frank Act) before the capital requirements will apply to savings and loan holding companies.

The Federal Reserve Board has issued a policy guidance regarding the payment of dividends by bank holding companies that it has made applicable to savings and loan holding companies as well. In general, the Federal Reserve Board's policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Federal Reserve Board guidance provides for prior regulatory review of capital distributions in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate of earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. These regulatory policies could affect our ability to pay dividends or otherwise engage in capital distributions.

The Dodd-Frank Act also extends the “source of strength” doctrine to savings and loan holding companies. The regulatory agencies must issue regulations requiring that all bank and savings and loan holding companies serve as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

***Permissible Activities.*** Under present law, the business activities of First Federal of Northern Michigan Bancorp, Inc. are generally limited to those activities permissible for financial holding

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companies under Section 4(k) of the Bank Holding Company Act of 1956, as amended, or for multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, including underwriting equity securities and insurance as well as activities that are incidental to financial activities or complementary to a financial activity. A multiple savings and loan holding company is generally limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to the prior approval of the Federal Reserve Board, and certain additional activities authorized by Federal Reserve Board regulations.

Federal law prohibits a savings and loan holding company, including First Federal of Northern Michigan Bancorp, Inc., directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or holding company thereof, without prior written approval of the Federal Reserve Bank of Chicago. It also prohibits the acquisition or retention of, with certain exceptions, more than 5% of a non-subsidiary company engaged in activities that are not closely related to banking or financial in nature, or acquiring or retaining control of an institution that is not federally insured. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Bank of Chicago must consider the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors.

The Federal Reserve Bank of Chicago is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

- (i) the approval of interstate supervisory acquisitions by savings and loan holding companies; and
- (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

**Sarbanes-Oxley Act of 2002**

The Sarbanes-Oxley Act of 2002 addresses, among other things corporate governance, auditing and accounting, executive compensation and enhanced and timely disclosures of corporate information. We have existing policies, procedures and systems designed to comply with these regulations, and we review and document such policies, procedures and systems to ensure continued compliance with these regulations.

## **Federal Securities Laws**

First Federal Bancorp's common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934. First Federal Bancorp is subject to the information, proxy solicitation, insider trader restrictions and other requirements under the Securities Exchange of 1934.

First Federal Bancorp common stock held by persons who are affiliates (generally officers, directors and principal stockholders) of First Federal Bancorp may not be resold without registration or unless sold in accordance with certain resale restrictions. If First Federal Bancorp meets specified current

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public information requirements, each affiliate of First Federal Bancorp is able to sell in the public market, without registration, a limited number of shares in any three-month period.

## TAXATION

### Federal Taxation

**General.** First Federal Bancorp and First Federal are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal taxation is intended only to summarize material federal income tax matters and is not a comprehensive description of the tax rules applicable to First Federal Bancorp and First Federal.

**Method of Accounting.** For federal income tax purposes, First Federal currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its consolidated federal income tax returns. The Small Business Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings institutions, effective for taxable years beginning after 1995.

**Bad Debt Reserves.** Prior to the Small Business Protection Act of 1996, First Federal of Northern Michigan was permitted to establish a reserve for bad debts for tax purposes and to make annual additions to the reserve. These additions could, within specified formula limits, be deducted in arriving at First Federal of Northern Michigan's taxable income. As a result of the Small Business Protection Act, First Federal of Northern Michigan must use the specific charge-off method in computing its bad debt deduction for tax purposes.

**Deferred Tax Asset Valuation.** The Company records a valuation allowance against its deferred tax assets if it believes, based on available evidence, that it is "more likely than not" that the future tax assets recognized will not be realized before their expiration. Realization of the Company's deferred tax assets is primarily dependent upon the generation of a sufficient level of future taxable income. At March 31, 2014 First Federal Bancorp had a valuation allowance against its deferred tax assets of \$3.2 million.

**Taxable Distributions and Recapture.** Prior to the Small Business Protection Act of 1996, bad debt reserves created prior to 1988 were subject to recapture into taxable income if First Federal of Northern Michigan failed to meet certain thrift asset and definitional tests. The Small Business Protection Act of 1996 eliminated these thrift-related recapture rules. However, under current law, pre-1988 reserves remain subject to tax recapture should First Federal of Northern Michigan make certain distributions from its tax bad debt reserve or cease to maintain a bank charter. At

December 31, 2013, First Federal of Northern Michigan's total federal pre-1988 reserve was approximately \$60,000. This reserve reflects the cumulative effects of federal tax deductions by First Federal of Northern Michigan for which no federal income tax provision has been made.

**Minimum Tax.** The Internal Revenue Code of 1986, as amended, imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences ("alternative minimum taxable income" or "AMTI"). The alternative minimum tax is payable to the extent such AMTI is in excess of an exemption amount. Net operating losses can, in general, offset no more than 90% of AMTI. Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years. First Federal of Northern Michigan has not been subject to the alternative minimum tax and has no such amounts available as credits for carryover.



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**Net Operating Loss Carryovers.** A financial institution may carry back net operating losses to the preceding five taxable years and forward to the succeeding 20 taxable years. At March 31, 2014, First Federal had a net operating loss of approximately \$10.4 million which it may carry forward for federal income tax purposes until 2033.

**Corporate Dividends.** We may exclude from our income 100% of dividends received from First Federal of Northern Michigan as a member of the same affiliated group of corporations.

The federal income tax returns of First Federal Bancorp and its predecessor, Alpena Bancshares, Inc. have not been audited by the Internal Revenue Service in the last five fiscal years.

**State and Local Taxation**

We are subject to the Michigan Business Tax (MBT). Financial Institutions are subject to a component of the MBT, the Financial Institutions Tax, which is based on capital rather than taxable earnings.

Other applicable state taxes include generally applicable sales, use and real property taxes.

As a Maryland business corporation, First Federal Bancorp is required to file annual returns with and pay annual fees to the State of Maryland.

**PROPERTIES**

As of March 31, 2014, First Federal Bancorp owned its main office and all of its branch offices. The following is a list of our locations:

**Main Office**

100 South Second Avenue  
Alpena, Michigan 49707

**Main Office – Annex Building**

123 S Second Ave  
Alpena, MI 49707

**Branch Offices**

300 South Ripley Boulevard    2885 South County Road #489  
Alpena, Michigan 49707        Lewiston, Michigan 49756

6232 River Street                308 North Morenci  
Alanson, Michigan 49706        Mio, Michigan 48647

101 South Main Street          201 North State Street  
Cheboygan, Michigan 49721    Oscoda, Michigan 48750

1000 South Wisconsin  
Gaylord, Michigan 49735

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**LEGAL PROCEEDINGS**

We are periodically involved in claims and lawsuits that are incident to their business. At March 31, 2014, we are not involved in any claims or lawsuits material to their respective businesses.

**Additional Information Related to First Federal Bancorp**

The Annual Report on Form 10-K for the year ended December 31, 2013 of First Federal Bancorp, including the audited consolidated financial statements of First Federal Bancorp at and for the year ended December 31, 2013 is included in **Appendix E** of this joint proxy statement/prospectus.

The Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 of First Federal Bancorp, including unaudited consolidated financial statements of First Federal Bancorp at and for the quarters ended March 31, 2014 and 2013 is included in **Appendix F** of this joint proxy statement/prospectus.

***Market Price of and Dividends on First Federal Bancorp's Common Equity and Related Stockholder Matters***

First Federal Bancorp's common stock is listed on the Nasdaq Capital Market under the symbol "FFNM." As of March 31, 2014 there were 2,884,049 shares of First Federal Bancorp common stock issued and outstanding. At March 31, 2014, First Federal Bancorp had approximately 600 stockholders of record.

***Price Range of Common Stock and Dividends***

The following sets forth the quarterly high and low closing price per share and cash dividends declared during the most recent fiscal four quarters.

<b>Quarter Ended</b>	<b>Market Price</b>		<b>Cash</b>
	<b>High</b>	<b>Low</b>	<b>Dividend Declared</b>

March 31, 2014	\$5.36	\$4.84	\$ 0.020
December 31, 2013	\$5.72	\$4.71	\$ 0.020
September 30, 2013	\$4.47	\$4.20	\$ —
June 30, 2013	\$4.65	\$3.40	\$ —
March 31, 2013	\$4.79	\$4.24	\$ —
December 31, 2012	\$5.00	\$3.94	\$ —
September 30, 2012	\$3.96	\$3.25	\$ —
June 30, 2012	\$4.03	\$3.30	\$ —

The following table shows the closing price per share of First Federal Bancorp common stock and the equivalent price per share of Alpena Banking Corporation common stock, giving effect to the Merger, on January 23, 2014, which is the last day on which shares of First Federal Bancorp common stock traded preceding the public announcement of the proposed Merger, and on \_\_\_\_\_, 2014, the most recent practicable date prior to the mailing of this joint proxy statement/prospectus. The equivalent price per share of Alpena Banking Corporation common stock was computed by multiplying the price of a share of First Federal Bancorp common stock by the 1.549 exchange ratio.

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	First Federal Bancorp Common Stock	Equivalent Price Per Share of Alpena Banking Corporation Common Stock
January 23, 2014	\$ 5.15	\$ 7.98
_____, 2014	\$ _____	\$ _____

The following table sets forth the beneficial ownership of First Federal Bancorp common stock held by First Federal Bancorp’s directors and executive officers, individually and as a group, and all individuals known to management of First Federal Bancorp to own more than 5% of its common stock as of March 31, 2014. The business address of each director and executive officer and of the First Federal of Northern Michigan Employee Stock Ownership Plan is 100 South Second Avenue, Alpena, Michigan 49707. As a result of the issuance of 842,965 shares of its common stock in the Merger to stockholders of Alpena Banking Corporation, upon completion of the Merger, the number of issued and outstanding shares of First Federal Bancorp will increase to 3,727,014 shares, or approximately 22.6%, thereby reducing the percentage ownership of each of the parties listed below by a pro rata amount.

Except as otherwise noted below, holders of record of our common stock at the close of business on \_\_\_\_\_ (the “Voting Record Date”) are entitled to one vote for each share held. As of the Voting Record Date, there were 2,884,049 shares of common stock outstanding. The presence in person or by proxy of a majority of the outstanding shares of common stock entitled to vote is necessary to constitute a quorum at the special meeting of stockholders.

In accordance with the provisions of our Articles of Incorporation, record holders of common stock who beneficially own in excess of 10% of the outstanding shares of common stock (the “Limit”) are not entitled to any vote with respect to the shares held in excess of the Limit. Our Articles of Incorporation authorize the Board of Directors (i) to make all determinations necessary to implement and apply the Limit, including determining whether persons or entities are acting in concert, and (ii) to demand that any person who is reasonably believed to beneficially own stock in excess of the Limit supply information to us to enable the Board of Directors to implement and apply the Limit.

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Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned <sup>(1)</sup>		Percent of All Common Stock Outstanding	
Five Percent Stockholders:				
Investors of America Limited Partnership <sup>(2)</sup>				
135 North Meramec	149,000		5.17	%
Clayton, Missouri 63105				
Financial & Investment Management Group Ltd <sup>(3)</sup>				
111 Cass Street	174,700		6.06	
Traverse City, Michigan 49684				
Directors and Executive Officers:				
Martin A. Thomson	103,584	(4)	3.6	
Thomas R. Townsend	28,382	(5)	*	
Gary C. VanMassenhove	26,900	(6)	*	
Keith D. Wallace	33,400	(7)	1.2	
James E. Kraenzlein			*	
Michael W. Mahler	66,614	(8)	2.3	
Eileen M. Budnick	20,044	(9)	*	
Jerome W. Tracey	M6,066	(10)	1.9	
All directors and executive officers as a group (8 persons)	334,990		11.6	%

\*

Less than 1%.

In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner for purposes of this table of any shares of common stock if he has sole or shared voting or investment power with respect to (1) such security, or has a right to acquire beneficial ownership at any time within 60 days from the date as of which beneficial ownership is being determined. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares.

(2) Based on a Schedule 13G filed with the Securities and Exchange Commission on January 22, 2008.

(3) Based on a Schedule 13G filed with the Securities and Exchange Commission on January 31, 2013.

(4) Includes 24,600 shares that may be acquired pursuant to presently exercisable stock options, 2,087 shares allocated to Mr. Thomson under the ESOP plan, and 19,582 shares held in Mr. Thomson's 401(k) plan.

(5) Includes 8,400 shares that may be acquired pursuant to presently exercisable stock options.

(6) Includes 8,400 shares that may be acquired pursuant to presently exercisable stock options.

(7) Includes 8,400 shares that may be acquired pursuant to presently exercisable stock options.

(8) Includes 20,900 shares that may be acquired pursuant to presently exercisable stock options, 6,893 shares allocated to Mr. Mahler under the ESOP plan and 30,212 shares held in Mr. Mahler's 401(k) account.

(9)

Includes 2,600 shares that may be acquired pursuant to presently exercisable stock options, 2,524 shares allocated to Mrs. Budnick under the ESOP plan, and 14,320 shares held in Mrs. Budnick's 401(k) account.

(10) Includes 14,290 shares that may be acquired pursuant to presently exercisable stock options, 4,915 shares allocated to Mr. Tracey under the ESOP plan, and 28,913 shares held in Mr. Tracey's 401(k) account.

***Information Regarding First Federal Bancorp's Management***

First Federal Bancorp's board of directors is comprised of five persons, and is divided into three classes with one class of directors elected each year. Directors are generally elected to serve for a three-year period or until their respective successors shall have been elected and shall qualify.

Pursuant to the Merger Agreement, at the effective time of the Merger Agreement, First Federal Bancorp and First Federal will each expand their boards by four members and will appoint four members of Alpena Banking Corporation's board of directors to their boards.

The table below sets forth certain information, as of the Voting Record Date, regarding the board of directors and executive officers at March 31, 2014.

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<b>Name</b>	<b>Age</b>	<b>Positions Held</b>	<b>Director Since</b>	<b>Term Expires</b>
<b>DIRECTORS</b>				
Martin A. Thomson	65	Chairman of the Board	1986	2014
James E. Kraenzlein	42	Director	2013	2014
Gary C. VanMassenhove	67	Director	2001	2015
Thomas R. Townsend	62	Director	2002	2015
Keith D. Wallace <sup>(1)</sup>	72	Director	1988	2016
Michael W. Mahler	50	President and Chief Executive Officer and Director	2008	2016
<b>EXECUTIVE OFFICERS</b>				
Eileen M. Budnick	38	VP-Director of Financial Reporting and Accounting, Treasurer and Corporate Secretary	N/A	N/A
Jerome W. Tracey	54	Executive Vice President, Chief Lending Officer	N/A	N/A

(1) Mr. Wallace retired from the board effective May 14, 2014.

## Board Independence

First Federal Bancorp's board of directors has determined that, except for Mr. Mahler, each member of the board is an "independent director" within the meaning of the Nasdaq corporate governance listing standards. Mr. Mahler is not considered independent because he is a current executive officer of First Federal Bancorp.

In determining the independence of the directors, the board of directors reviewed and considered legal fees of approximately \$4,147 paid to the law firm of Isackson, Wallace and Pfeifer, P.C., in which Director Wallace is a senior attorney, for legal work for First Federal.

The business experience for the past five years of each of our directors and executive officers is set forth below. Unless otherwise indicated, directors and executive officers have held their positions for the past five years.

## Directors



**Martin A. Thomson** was our Chief Executive Officer until his retirement from that position in May 2008. From 2001 until 2006, he was also our President. Upon his retirement as Chief Executive Officer, Mr. Thomson was appointed Chairman of the Board. Mr. Thomson previously held the position of President and Chief Executive Officer of Presque Isle Electric and Gas Cooperative, Inc., Onaway, Michigan.

**James E. Kraenzlein** is a certified public accountant and is a partner at Straley, Ilsley & Lamp P.C., a certified public accounting firm headquartered in Alpena, Michigan.

**Thomas R. Townsend** is the President of R.A. Townsend Co., a plumbing, heating and air conditioning distributor located in Alpena, Michigan, where he has been employed for the past 35 years.

**Gary C. VanMassenhove** is an accountant with Straley, Ilsley & Lamp P.C., a certified public accounting firm headquartered in Alpena, Michigan. Mr. VanMassenhove has been a Certified Public Accountant for over 40 years.

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**Michael W. Mahler** was appointed as our Chief Executive Officer in May 2008. He had previously served as our President and Chief Operating Officer from January 2006. Prior to his appointment as President and Chief Operating Officer, Mr. Mahler was our Executive Vice President since November 2004. Prior to that appointment, since November 2002, Mr. Mahler was our Chief Financial Officer. From September 2000 until November 2002, Mr. Mahler was Corporate Controller at Besser Company, Alpena, Michigan, an international producer of concrete products equipment. From 1990 until 2000, Mr. Mahler was employed at LTV Steel Company, East Chicago, Indiana where he served in financial roles of increasing responsibility and served, from 1997 until 2000, as Controller for a northeast Michigan division.

Executive Officers Who Are Not Directors

**Eileen M. Budnick** was named VP- Director of Financial Reporting & Accounting, Treasurer and Corporate Secretary of the Company and the Bank in May 2013. Mrs. Budnick had served as Controller of the Bank since April 2008 and had served, since February 2007, as Assistant Controller, and prior to that appointment served, since February 2002, as a staff accountant for the Bank. Prior to February 2002, Mrs. Budnick was employed at Alpena Alcona Area Credit Union serving in various banking positions since September 1993.

**Jerome W. Tracey** was appointed as our Executive Vice President and Chief Lending Officer in January 2006. Prior to this appointment, Mr. Tracey was Senior Vice President, Senior Lender since September 2001. Prior to joining First Federal of Northern Michigan, Mr. Tracey served as Vice President of Commercial Lending for National City Bank, Alpena, Michigan, a position he held since 1996. Mr. Tracey has been in the banking profession since 1981.

**Executive Officers of Alpena Banking Corporation Who Will Become Executive Officers of First Federal Bancorp Upon Completion of the Merger**

**Craig A. Kus**, age 60, at the effective time of the Merger, will be appointed President and Chief Operating Officer of First Federal Bancorp and First Federal. Mr. Kus is President and Chief Executive Officer of Alpena Banking Corporation and Bank of Alpena.

**Joseph Garber**, age 51, at the effective time of the Merger, will be appointed Chief Credit Officer of First Federal Bancorp and First Federal. Mr. Garber has served as the Senior Vice President, Lending for Bank of Alpena since 2001.

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The following table sets forth for the years ended December 31, 2013 and 2012 certain information as to the total remuneration paid by us to Michael W. Mahler, our President and Chief Executive Officer, and Jerome W. Tracey, our Executive Vice President and Chief Lending Officer (the “Named Executive Officers”). No other executive officer received total compensation for the year ended December 31, 2013 of more than \$100,000. For information with respect to the compensation paid by Alpena Banking Corporation to Craig A. Kus and Joseph Garber, executive officers of Alpena Banking Corporation who will become executive officers of First Federal Bancorp at the effective time of the Merger, please see “Information with regard to Alpena Banking Corporation – Executive Compensation” beginning on page 100. For a narrative description of information included in this table, please see the discussion in this proxy statement under the heading “Benefit Plans.”

## SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock awards <sup>1</sup> (\$)	Option awards <sup>2</sup> (\$)	Non-equity incentive plan compensation (\$)	Nonqualified deferred compensation <sup>3</sup> (\$)		All other compensation (\$)	Total (\$)
							(\$)	(\$)		
Michael W. Mahler President and Chief Executive Officer	2013	\$191,243	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 10,400	<sup>3</sup>	\$201,643
	2012	189,297	—	—	—	—	—	10,700		199,997
Jerome W. Tracey Executive Vice President and Chief Lending Officer	2013	116,279	\$ —	\$ —	\$ —	\$ —	\$ —	6,000	<sup>4</sup>	\$122,279
	2012	108,264	—	—	—	—	—	6,300		114,564

All stock awards to the Named Executive Officers were made on May 17, 2006 and were valued under SFAS 123R<sup>1</sup> at the grant date market value of \$9.65 per share. The stock awards vest over five years commencing one year from the grant date.

Option awards to the Named Executive Officers were made on March 14, 2006 and on May 17, 2006 and were valued at \$1.94 and \$2.15 per option, respectively, based upon the Black-Scholes valuation model using the<sup>2</sup> following assumptions: (1) expected term of option, eight years; (2) annual volatility of common stock, 13.9%; (3) expected dividend yield of common stock, 2.16%; and (4) risk-free interest rate, 4.70% and 5.08%, respectively, per annum. The options vest over five years commencing one year from the grant date.

Consists of \$10,000 and \$400, respectively, of director fees for service on the Board of Directors of First Federal of Northern Michigan and for service on the Board of First Federal Community Foundation (“FFCF”), a foundation<sup>3</sup> established and funded by First Federal of Northern Michigan. Mr. Mahler did not receive perquisites or personal benefits that exceeded \$10,000.

<sup>4</sup>

Consists of \$6,000 automobile allowance. Mr. Tracey did not receive perquisites or personal benefits that exceeded \$10,000.

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**Outstanding Equity Awards at Year End.** The following table sets forth information with respect to outstanding equity awards as of December 31, 2013 for the Named Executive Officers. All awards of common stock and options vest at a rate of 20% per year beginning on the first anniversary of the grants. The other terms of the awards are described in this proxy statement under the heading “Benefit Plans.”

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2013

Name	Option awards		Equity incentive plan awards: number of securities underlying unexercised earned options (#)	Option exercise price (\$)	Option expiration date
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable			
Michael W. Mahler President and Chief Executive Officer					
March 14, 2006 Options	2,500	—		\$ 9.20	March 14, 2016
May 17, 2006 Options	18,400	—		\$ 9.65	May 17, 2016
Jerome W. Tracey Executive Vice President and Chief Lending Officer					
March 14, 2006 Options	2,500	—		\$ 9.20	March 14, 2016
May 17, 2006 Options	11,790	—		\$ 9.65	May 17, 2016

## Benefit Plans

**Defined Benefit Plan.** First Federal of Northern Michigan maintains a noncontributory defined benefit plan (the “Retirement Plan”). All employees age 21 or older, who have worked at First Federal of Northern Michigan for a period of one year and have been credited with 1,000 or more hours of employment with the Bank during the year, are eligible to accrue benefits under the Retirement Plan. The Bank annually contributes an amount to the Retirement Plan necessary to satisfy the actuarially determined minimum funding requirements in accordance with the Employment Retirement Income Security Act of 1974, as amended (“ERISA”).

At the normal retirement age of 65, the Retirement Plan is designed to provide a life annuity. The retirement benefit provided is an amount equal to 2.5% of a participant's average salary based on the average of the five consecutive years during the participant's years of employment that provide the highest average annual salary multiplied by the participant's years of credited service to the normal retirement date. Retirement benefits are also payable upon retirement due to early and late retirement. Benefits are also paid from the Retirement Plan upon a participant's disability or death. A reduced benefit is payable upon early retirement at or after age 55. Upon termination of employment other than as specified above, a participant who was employed by the Bank for a minimum of five years is eligible to receive his or her accrued benefit reduced for early retirement or a deferred retirement benefit commencing on such participant's normal retirement date. Benefits are payable in various annuity forms as well as in the form of a single lump sum payment. For the year ended December 31, 2013 the Bank made contributions to the Retirement Plan of \$71,713.

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In 2004, the Board amended the Retirement Plan and set a 20-year limitation as the maximum number of employment years an employee is entitled to under the Retirement Plan. In April 2005, the Board froze the Retirement Plan as to current participants and excluded from the Retirement Plan new employees hired after July 1, 2004.

The following table indicates the annual retirement benefit that would be payable under the Retirement Plan upon retirement at age 65 in plan year 2013, expressed in the form of a single life annuity for the final average salary and benefit service classification specified below. As of December 31, 2013, Messrs. Thomson, Mahler and Tracey five years, four years and seven years credited service (*i.e.*, benefit service) with the Bank, respectively.

<b>High 5-Year Average Salary</b>	<b>10</b>	<b>15</b>	<b>20</b>
\$ 15,000	\$3,750	\$5,625	\$7,500
\$ 25,000	\$6,250	\$9,375	\$12,500
\$ 50,000	\$12,500	\$18,750	\$25,000
\$100,000	\$25,000	\$37,500	\$50,000
\$150,000	\$37,500	\$56,250	\$75,000

**Employee Stock Ownership Plan and Trust.** The Bank has an employee stock ownership plan (“ESOP”) and related trust for eligible employees. The ESOP purchased 138,709 shares of our common stock in our offering that was completed in April 2005. The ESOP obtained a loan from us to purchase these shares. The ESOP loan amortizes over a 15-year period, but the ESOP is entitled to pay off the loan at any time without incurring a penalty. Collateral for the loan is the common stock purchased by the ESOP. The loan was paid in full effective as of December 31, 2009.

The ESOP is a tax-qualified plan subject to the requirements of ERISA and the Internal Revenue Code of 1986 (the “Code”). Employees with a 12-month period of employment with the Bank during which they worked at least 1,000 hours and who have attained age 21 are eligible to participate.

Contributions to the ESOP and shares released from the suspense account in an amount proportional to the repayment of the ESOP loan are allocated among participants on the basis of compensation in the year of allocation, up to an annual adjusted maximum level of compensation. Benefits generally become 100% vested after three years of credited service. Forfeitures will be reallocated among remaining participating employees in the same proportion as contributions. Benefits are payable upon death, retirement, early retirement, disability or separation from service. The Bank’s contributions to the ESOP are not fixed, so benefits payable under the ESOP cannot be estimated.

First Federal's board of directors administers the ESOP. First Federal has appointed First Bankers Trust Company, Quincy, Illinois to serve as trustee of the ESOP. The ESOP Committee may instruct the trustee regarding investment of funds contributed to the ESOP. The ESOP trustee, subject to its fiduciary duty, must vote all allocated shares held in the ESOP in accordance with the instructions of participating employees. Under the ESOP, non-directed shares will be voted in a manner calculated to most accurately reflect the instructions it has received from participants regarding the allocated stock so long as such vote is in accordance with the provisions of ERISA. At December 31, 2013, there were no unallocated shares held in the ESOP.

**401(k) Plan.** First Federal maintains a 401(k) Plan for our employees. The Plan is tax-qualified and permits participants to elect to defer up to 50% of the participant's eligible annual compensation into the Plan. Until 2004, the Bank made matching contributions of 50% of the participant's contribution, with the match being up to 3% of the participant's eligible annual compensation for the year. In July 2005, at



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the time we froze the Defined Benefit Plan, as described above, we modified the matching schedule to be 100% on the first 2% of contributions and 50% on the next 2% of contributions. The vesting schedule for matching contributions is 20% per year of service over a five-year period. Effective January 1, 2009, the Company suspended the matching contributions; the matching contributions were reinstated in February 2011. In addition, the Board of Directors approved a 3% discretionary contributions to be made to each eligible participant's account for the year ended December 31, 2013. No discretionary contribution was made for the year ended December 31, 2012. Forfeitures of discretionary contributions are used to reduce our contributions in succeeding plan years. In connection with our 2005 stock offering, the 401(k) Plan was amended to permit participants to direct the investment of their 401(k) Plan account balances. Participants are permitted to invest their account balances in shares of our common stock through an employer stock fund that has been established in the Plan.

**2006 Stock-Based Incentive Plan.** In May 2006, our stockholders approved the 2006 First Federal of Northern Michigan Bancorp, Inc. Stock-Based Incentive Plan (the "Incentive Plan"). The Incentive Plan will remain in effect for a period of ten years following adoption by stockholders.

The Incentive Plan authorizes the issuance of up to 242,740 shares of our common stock pursuant to grants of incentive and non-statutory stock options, reload options, stock appreciation rights and restricted stock awards, provided that no more than 69,354 shares may be issued as restricted stock awards, and no more than 173,386 shares may be issued pursuant to the exercise of stock options. The Incentive Plan is administered by a committee (the "Committee") appointed by the Chairman of the Board of Directors, which includes two or more of our disinterested directors who are "non-employee directors," as that term is defined for purposes of Rule 16b under the Securities Exchange Act of 1934. The Incentive Plan also permits the Board of Directors or the Committee to delegate to one or more of our officers the Committee's power to (i) designate officers and employees who will receive awards, and (ii) determine the number of awards to be received by them.

Our employees and outside directors are eligible to receive awards under the Incentive Plan. Awards may be granted in a combination of incentive and non-statutory stock options, stock appreciation rights or restricted stock awards. The exercise price of options granted under the plan may not be less than the fair market value on the date the stock option is granted. Stock options are either "incentive" stock options or "non-qualified" stock options. Stock options are subject to vesting conditions and restrictions as determined by the Committee.

The Compensation Committee of the Board of Directors approved awards under the Incentive Plan on May 17, 2006. All awards of common stock and options on common stock reported in the Summary Compensation Table and the Directors' Compensation Table reflect a five-year vesting schedule (20% per year). Pursuant to the awards, all awardees are entitled to cash dividends on common stock awards, whether such awards are vested or not. Apart from the vesting schedule, there are no performance-based conditions or any other material conditions applicable to the awards made on May 17, 2006.

Stock appreciation rights may be granted in tandem with stock options and give the recipient the right to receive a payment in our common stock of an amount equal to the excess of the fair market value of a specified number of shares of our common stock on the date of the exercise of the stock appreciation rights over the fair market value of the common stock on the date of grant of the stock appreciation right, as set forth in the recipient's award agreement. Stock appreciation rights will not be granted unless (i) the stock appreciation right is settled solely in our common stock; and (ii) there is no further ability to defer the income received on the exercise of the stock appreciation right. The grant of awards on May 17, 2006 included stock appreciation rights.

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Stock awards under the Incentive Plan will be granted only in whole shares of common stock. Stock awards will be subject to conditions established by the Committee that are set forth in the award agreement. Any stock award granted under the Incentive Plan will be subject to vesting as determined by the Committee.

Upon the occurrence of an event constituting a change in control of First Federal of Northern Michigan Bancorp, Inc., as defined in the Incentive Plan, all stock options will become fully vested, and all stock awards then outstanding will vest free of restrictions.

**1996 Stock Option Plan.** Certain of our employees and non-employee directors are eligible to participate in our 1996 Stock Option Plan (the “1996 Option Plan”). The 1996 Option Plan authorizes the grant of stock options and limited rights to purchase 69,000 shares (10% of the shares of common stock issued to minority stockholders in our initial 1994 public offering). Upon the closing of our 2005 stock offering, the shares of common stock subject to the 1996 Option Plan were adjusted pursuant to the exchange ratio. Pursuant to the 1996 Option Plan, grants may be made of (i) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code, (ii) options that do not so qualify (“non-statutory options”) and (iii) limited rights (described below) that are exercisable only upon a change in control of the Bank or the Company.

The 1996 Option Plan is administered by a committee consisting of certain non-employee directors of the Board of Directors (the “Committee”). In granting options, the Committee considers factors such as salary, length of employment with us, and the employee’s overall performance. All stock options are exercisable in five equal annual installments of 20% commencing one year from the date of grant; *provided, however*, that all options will be 100% exercisable in the event the optionee terminates his service due to normal retirement, death or disability, or in the event of a change in control of the Company or the Bank. Options must be exercised within 10 years from the date of grant. Stock options may be exercised up to one year following termination of service or such later period as determined by the Committee. The exercise price of the options will be at least 100% of the fair market value of the underlying common stock at the time of the grant. The exercise price may be paid in cash or common stock.

Incentive stock options will only be granted to our employees. Non-employee directors will be granted non-statutory stock options. No incentive stock option granted in connection with the 1996 Option Plan may be exercisable more than three months after the date on which the optionee ceases to perform services for us, except that in the event of death, disability, normal retirement, or a change in control of the Bank or the Company, incentive stock options may be exercisable for up to one year; *provided, however*, that if an optionee ceases to perform services for us due to retirement or following a change in control (as defined in the 1996 Option Plan), any incentive stock options exercised more than three months following the date the optionee ceases to perform services shall be treated as a non-statutory stock option as described above.

Upon the exercise of “limited rights” in the event of a change in control, the optionee will be entitled to receive a lump sum cash payment, or in certain cases, common stock, equal to the difference between the exercise price of the option

and the fair market value of the shares of common stock subject to the option on the date of exercise of the right in lieu of purchasing the stock underlying the option. In the event of death or disability, if requested by the optionee or beneficiary, we may elect, in exchange for the option, to pay the optionee, or beneficiary in the event of death, the amount by which the fair market value of the common stock exceeds the exercise price of the option on the date of the optionee's termination of service for death or disability.

Pursuant to the 1996 Option Plan, non-employee directors at the inception of the Plan on April 17, 1996, Messrs. Thomson, and Wallace, were each granted options to purchase 6,037 shares of common

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stock. These options were granted at an exercise price of \$10.00 per share and have all been vested. The number of options and the exercise price of the options were converted pursuant to the 1.8477-for-1 stock split effective as of the close of business on April 1, 2005 in connection with the closing of the mutual-to-stock conversion of Alpena Bancshares, M.H.C. Pursuant to the 1996 Option Plan, 2006 was the last year grants were permitted to be issued under this Plan.

**1996 Recognition and Retention Plan.** Certain of our employees and non-employee directors are eligible to participate in our 1996 Recognition and Retention Plan (the “Recognition Plan”). A Committee of the Board of Directors composed of “disinterested” directors (the “Recognition Plan Committee”) administers the Recognition Plan and makes awards to executive officers and employees. Participants in the Recognition Plan earn (become vested in) shares of Restricted Stock covered by an award and all restrictions lapse over a period of time commencing from the date of the award; *provided, however*, that the Recognition Plan Committee may accelerate or extend the earnings rate on any awards made to officers and employees under the Recognition Plan. Awards to non-employee directors vest at the rate of 20% of the amount initially awarded commencing one year from the date of the award. Awards to executive officers and employees become fully vested upon termination of employment or service due to death, disability or normal retirement or following a termination of employment or service in connection with a change in the control of the Bank or the Company. Upon termination of employment or service for another reason, unvested shares are forfeited.

At the inception of the Recognition and Retention Plan in 1996, non-employee directors Thomson, and Wallace were each granted 2,415 shares of common stock, which shares have been earned and issued. Messrs. VanMassenhove and Townsend, who were appointed to the Board of Directors in September 2001 and April 2002, respectively, have not been awarded any shares under the Recognition and Retention Plan. Awards to non-employee directors fully vest upon a non-employee director’s disability, death, normal retirement, or following termination of service in connection with a change in control of the Bank or the Company. Unvested shares of Restricted Stock will be forfeited by a non-employee director upon failure to seek reelection, failure to be reelected, or resignation from the Board (other than in connection with normal retirement, as defined by the Recognition Plan).

**Equity Compensation Plan Disclosure**

Set forth below is information as of December 31, 2013 regarding compensation plans under which equity securities of First Federal of Northern Michigan Bancorp, Inc. are authorized for issuance:

Plan	Number of Securities to be Issued upon Exercise of Outstanding Options and Rights	Weighted Average Exercise Price	Number of Securities Remaining Available for Issuance under Plan
	150,030	\$ 9.52	54,656

Equity compensation plans approved by stockholders			
Equity compensation plans not approved by stockholders	—	—	—
Total	150,030	\$ 9.52	54,656

Table of Contents**Directors' Compensation**

The following table sets forth for the year ended December 31, 2013 certain information as to the total remuneration we paid to our directors other than Mr. Mahler. Compensation paid to Mr. Mahler for his services as Director is included in "Executive Compensation – Summary Compensation Table."

## DIRECTOR COMPENSATION TABLE FOR THE YEAR ENDED DECEMBER 31, 2013

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Options awards (\$)	Non-equity awards (Non-qualified plan compensation) (\$)	Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
James C. Rapin <sup>(3)</sup>	\$ 4,800	\$	\$	\$	N/A	\$ —	\$4,800
Martin A. Thomson	\$ 14,200	\$	\$	\$	N/A	\$ 250	\$ 14,450
Thomas R. Townsend	\$ 11,800	\$	\$	\$	N/A	\$ —	\$ 11,800
Gary C. VanMassenhove	\$ 10,900	\$	\$	\$	N/A	\$ 3,750	\$ 14,650
Keith D. Wallace <sup>(3)</sup>	\$ 10,000	\$	\$	\$	N/A	\$ —	\$ 10,000
James E. Kraenzlein	\$ 5,500	\$	\$	\$	N/A	\$ —	\$5,500

(1) At December 31, 2013, each director owned 4,100 shares of restricted stock, with the exception of Martin A. Thomson who owned 8,850 shares of restricted stock and James E. Kraenzlein who owned 0.

(2) At December 31, 2013, each director owned 8,400 options to purchase common stock, with the exception of Martin A. Thomson who owned 24,600 options to purchase common stock and James E. Kraenzlein who owned 0.

(3) Mr. Rapin retired from the Board of Directors in May of 2013; Mr. Wallace retired from the Board in May of 2014.

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**Directors' Fees.** Each of the individuals who currently serves as one of our directors also serves as a director of First Federal of Northern Michigan and earns director and committee fees in that capacity.

In 2013, each director of the Bank received a \$700 monthly meeting fee, payable only if the director attended the meeting. Each director is paid for one excused absence. The Chairman of the Board received \$850 for each regular meeting attended, and each director received \$700 for each special Board meeting attended.

In addition to the foregoing, during 2013, Messrs. Rapin, Thomson, Wallace, VanMassenhove, Townsend, Kraenzlein, and Mahler received \$600, \$2,700, \$900, \$2,100, \$2,400, \$600 and \$900, respectively, for their services as members of the Bank's Executive and Audit Committees.

First Federal paid a total of \$71,200 in director and committee fees to members of the board of directors during the year ended December 31, 2013.

Transactions with Certain Related Persons

In the ordinary course of business, First Federal makes loans available to its directors, officers and employees. These loans are made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as comparable loans to other persons not related to the borrower. Loans made to directors or executive officers, including any modification of such loans, must be approved by a majority of disinterested members of the board of directors. Management believes that these loans neither involve more than the normal risk of collectibility nor present other unfavorable features.

Section 402 of the Sarbanes-Oxley Act of 2002 generally prohibits an issuer from: (1) extending or maintaining credit; (2) arranging for the extension of credit; or (3) renewing an extension of credit in the form of a personal loan for an officer or director. There are several exceptions to this general prohibition, one of which is applicable to us. Sarbanes-Oxley does not apply to loans made by a depository institution that is insured by the Federal Deposit Insurance Corporation and is subject to the insider lending restrictions of the Federal Reserve Act. All loans to our directors and officers are made in conformity with the Federal Reserve Act and applicable regulations.

In accordance with the listing standards of the Nasdaq Stock Market, any new transactions that would be required to be reported under this section of this proxy statement must be approved by our audit committee or another independent body of the board of directors.





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FIRST FEDERAL BANCORP PROPOSAL II – ADJOURNMENT OF SPECIAL MEETING

If there are not sufficient votes to constitute a quorum or to approve the Merger Agreement at the time of the First Federal Bancorp special meeting, the Merger Agreement cannot be approved unless the First Federal Bancorp special meeting is adjourned to a later date or dates to permit further solicitation of proxies. To allow proxies that have been received by First Federal Bancorp at the time of the special meeting to be voted for an adjournment, if deemed necessary, First Federal Bancorp has submitted the question of adjournment to its stockholders as a separate matter for their consideration. The board of directors of First Federal Bancorp unanimously recommends that stockholders vote “FOR” the adjournment proposal. If it is deemed necessary to adjourn the special meeting, no notice of the adjourned meeting is required to be given to stockholders, other than an announcement at the meeting of the place, date and time to which the meeting is adjourned.

ALPENA BANKING CORPORATION PROPOSAL II – ADJOURNMENT OF SPECIAL MEETING

If there are not sufficient votes to constitute a quorum or to approve the Merger Agreement at the time of the Alpena Banking Corporation special meeting, the Merger Agreement cannot be approved unless the Alpena Banking Corporation special meeting is adjourned to a later date or dates to permit further solicitation of proxies. To allow proxies that have been received by Alpena Banking Corporation at the time of the special meeting to be voted for an adjournment, if deemed necessary, Alpena Banking Corporation has submitted the question of adjournment to its stockholders as a separate matter for their consideration. The board of directors of Alpena Banking Corporation unanimously recommends that stockholders vote “FOR” the adjournment proposal. If it is deemed necessary to adjourn the special meeting, no notice of the adjourned meeting is required to be given to stockholders, other than an announcement at the meeting of the place, date and time to which the meeting is adjourned.

LEGAL MATTERS

The validity of the First Federal Bancorp common stock to be issued in the proposed Merger has been passed upon for First Federal Bancorp by Luse Gorman Pomerenk & Schick, Washington, D.C. Luse Gorman Pomerenk & Schick will deliver opinions to First Federal Bancorp and Alpena Banking Corporation as to certain federal income tax consequences of the Merger. See “Description of The Merger – Material Federal Income Tax Consequences of the Merger.”

EXPERTS

The consolidated financial statements of Alpena Banking Corporation as of December 31, 2013 and 2012 and for each of the years in the two-year period ended December 31, 2013 are contained in **Appendix D** of this joint proxy statement/prospectus in reliance upon the report of Andrews Hooper Pavlik PLC, independent registered public accounting firm, as stated in its report appearing therein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of First Federal Bancorp as of December 31, 2013 and 2012 and for each of the years in the two-year period ended December 31, 2013 are contained in **Appendix E** of this joint proxy statement/prospectus in reliance upon the report of Plante & Moran, PLLC, independent registered public accounting firm, as stated in its report appearing therein, and upon the authority of said firm as experts in accounting and auditing.

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STOCKHOLDER PROPOSALS

Alpena Banking Corporation will hold its 2014 annual meeting only if the Merger is not completed. Alpena Banking Corporation's articles of incorporation generally provide that in order for a stockholder to make nominations for the election of directors or proposals for business to be brought before the annual meeting, a stockholder must deliver notice of such nominations and/or proposals to the Secretary of Alpena Banking Corporation at least 120 days before the annual meeting.

In order to be eligible for inclusion in First Federal Bancorp's proxy materials for its 2015 Annual Meeting of Stockholders, any stockholder proposal to take action at such meeting must be received at its executive office, 100 South Second Avenue, Alpena, Michigan 49707, no later than December 15, 2014. Nothing in this paragraph shall be deemed to require First Federal Bancorp to include in its proxy statement relating to an annual meeting any stockholder proposal that does not meet all of the requirements for inclusion established by the Securities and Exchange Commission.

First Federal Bancorp bylaws provide an advance notice procedure for certain business, or nominations to the Board of Directors, to be brought before an annual meeting of stockholders. In order for a stockholder to properly bring business before an annual meeting, or to propose a nominee to the Board of Directors, the stockholder must give written notice to its Secretary not more than one hundred and twenty (120) days and not less than ninety (90) days prior to the date of our proxy materials for the preceding year's annual meeting; provided, however, that if the date of the annual meeting is advanced more than twenty (20) days prior to or delayed by more than sixty (60) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be received not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of (A) the 90th day prior to the date of such annual meeting or (B) the tenth day following the first to occur of (i) the day on which notice of the date of the annual meeting was mailed or otherwise transmitted or (ii) the day on which we first made public announcement of the date of the annual meeting. The notice must include the stockholder's name, record address, and number of shares owned, describe briefly the proposed business, the reasons for bringing the business before the annual meeting, and any material interest of the stockholder in the proposed business. In the case of nominations to the Board of Directors, certain information regarding the nominee must be provided. Nothing in this paragraph shall be deemed to require us to include in our proxy statement and proxy relating to an annual meeting any stockholder proposal that does not meet all of the requirements for inclusion established by the Securities and Exchange Commission in effect at the time such proposal is received.

The date on which the 2015 Annual Meeting of Stockholders of First Federal Bancorp is expected to be held is May 13, 2015. Accordingly, advance written notice of business or nominations to the Board of Directors to be brought before next year's Annual Meeting of Stockholders must be given to First Federal Bancorp no later than January 13, 2015. If notice is received after January 13, 2015, it will be considered untimely, and First Federal Bancorp will not be required to present the matter at the meeting.

WHERE YOU CAN FIND MORE INFORMATION

First Federal Bancorp filed with the Securities and Exchange Commission a registration statement on Form S-4 under the Securities Act to register the shares of First Federal Bancorp common stock to be issued to Alpena Banking Corporation stockholders in the Merger. This joint proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of First Federal Bancorp, a proxy statement of First Federal Bancorp for its special meeting and a proxy statement of Alpena Banking Corporation for its special meeting. As permitted by the Securities and Exchange Commission rules, this joint proxy statement/prospectus does not contain all of the information that you can find in the registration statement or in the exhibits to the registration statement. The full filing is available to the

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public over the Internet at the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document First Federal Bancorp files with the Securities and Exchange Commission at its public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of these documents also can be obtained at prescribed rates by writing to the Public Reference Section of the Securities and Exchange Commission, at 100 F Street, N.E., Room 1580, Washington D.C. 20549 or by calling 1-800-SEC-0330 for additional information on the operation of the public reference facilities.

First Federal Bancorp has supplied all information contained in this joint proxy statement/prospectus relating to First Federal Bancorp, and Alpena Banking Corporation has supplied all information relating to Alpena Banking Corporation.

You should rely only on the information contained in this joint proxy statement/prospectus when evaluating the Merger Agreement and the proposed Merger. We have not authorized anyone to provide you with information that is different from what is contained in this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated \_\_\_\_\_, 2014. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than such date, and neither the mailing of this joint proxy statement/prospectus to stockholders of Alpena Banking Corporation or First Federal Bancorp nor the issuance of shares of First Federal Bancorp common stock as contemplated by the Merger Agreement shall create any implication to the contrary.

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**Appendix A**

**EXECUTION COPY**

**AGREEMENT AND PLAN OF MERGER**

**By and Between**

**FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.**

**And**

**ALPENA BANKING CORPORATION**

**Dated as of January 23, 2014**

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (this “Agreement”), dated as of January 23, 2014 is by and between First Federal of Northern Michigan Bancorp, Inc., a Maryland corporation (“First Federal Bancorp”) and Alpena Banking Corporation, a Michigan corporation. First Federal Bancorp and Alpena Banking Corporation are sometimes collectively referred to as the “Parties.”

RECITALS

1. First Federal Bancorp owns all of the issued and outstanding capital stock of First Federal of Northern Michigan (“First Federal Bank”). The principal offices of First Federal Bancorp and First Federal Bank are located in Alpena, Michigan.
2. Alpena Banking Corporation owns all of the issued and outstanding capital stock of Bank of Alpena. The principal offices of Alpena Banking Corporation and Bank of Alpena are located in Alpena, Michigan.
3. The Board of Directors of First Federal Bancorp and the Board of Directors of Alpena Banking Corporation each deem it in the best interests of its respective shareholders for Alpena Banking Corporation to merge with and into First Federal Bancorp, with First Federal Bancorp as the surviving entity, and for Bank of Alpena to merge with and into First Federal Bank with First Federal Bank as the surviving entity, all pursuant to the terms, conditions and procedures set forth in this Agreement.
4. As a condition to the willingness of First Federal Bancorp to enter into this Agreement, each of the directors of Alpena Banking Corporation has entered into a Voting Agreement with First Federal Bancorp dated as of the date hereof, substantially in the form of Exhibit A hereto, pursuant to which each director of Alpena Banking Corporation has agreed, among other things, to vote all shares of Alpena Banking Corporation Common Stock owned by such person in favor of the approval of this Agreement and the transactions contemplated hereby, upon the terms and subject to the conditions set forth in the Voting Agreement. In addition, as a condition to the willingness of First Federal Bancorp to enter into this Agreement, each of the directors of Alpena Banking Corporation and Bank of Alpena has entered into a Non-Competition Agreement with First Federal Bancorp dated as of the date hereof, substantially in the form of Exhibit B hereto, pursuant to which each director of Alpena Banking Corporation and Bank of Alpena has agreed, among other things, not to compete with First Federal Bancorp or First Federal Bank for two years following the Effective Time of the Merger in a specified geographic area, and not to solicit the customers or employees of First Federal Bancorp or First Federal Bank during the term of the Non-Competition Agreement.

5. The Parties intend the Merger to qualify as reorganizations within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the “IRC”), and that this Agreement be and is hereby adopted as a “plan of reorganization” within the meaning of Sections 354 and 361 of the IRC.

6. The Parties desire to provide for certain undertakings, conditions, representations, warranties and covenants in connection with the transactions contemplated by this Agreement.

7. In consideration of the premises and of the mutual representations, warranties and covenants herein contained and intending to be legally bound hereby, the Parties hereby agree as follows:

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**ARTICLE I**

**CERTAIN DEFINITIONS**

Section 1.01 Definitions

Except as otherwise provided herein, as used in this Agreement, the following terms shall have the indicated meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Acquisition Proposal” has the meaning given to such term in Section 5.10 of this Agreement.

“Acquisition Transaction” has the meaning given to such term in Section 5.10 of this Agreement.

“Affiliate” means, with respect to any Person, any Person who directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person and, without limiting the generality of the foregoing, includes any executive officer or director of such Person and any Affiliate of such executive officer or director.

“Agreement” means this agreement, and any amendment or supplement hereto, which constitutes a “plan of merger” between First Federal Bancorp and Alpena Banking Corporation.

“Alpena Banking Corporation Common Stock” means the common stock of Alpena Banking Corporation described in Section 3.03(a).

“Alpena Banking Corporation Compensation and Benefit Plans” has the meaning given to such term in Section 3.13 of this Agreement.

“Alpena Banking Corporation Defined Benefit Plan” has the meaning given to such term in Section 3.13(c) of this Agreement.

“Alpena Banking Corporation ERISA Affiliate” has the meaning given to such term in Section 3.13(c) of this Agreement.

“Alpena Banking Corporation Regulatory Agreement” has the meaning given to such term in Section 3.12(c) of this Agreement.

“Alpena Banking Corporation Shareholders Meeting” has the meaning given to such term in Section 7.01(a) of this Agreement.

“Alpena Banking Corporation Subsequent Determination” has the meaning given to such term in Section 5.10 of this Agreement.

“Alpena Banking Financials” means (i) the audited consolidated financial statements of Alpena Banking Corporation and its Subsidiaries as of December 31, 2012 and 2011 and for the two years ended December 31, 2012, including the notes thereto, and (ii) the unaudited interim consolidated financial statements of Alpena Banking Corporation as of each calendar quarter following December 31, 2012.

“Alpena Banking Subsidiary” means any direct or indirect Subsidiary of Alpena Banking Corporation, and includes Bank of Alpena, except that it does not include any corporation the stock of which is held in the ordinary course of the lending activities of Bank of Alpena.



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“Applications” means the applications to be filed with the appropriate Regulatory Authorities requesting approval of or nonobjection to the transactions described in this Agreement.

“Bank Merger” means the merger of Bank of Alpena with and into First Federal Bank with First Federal Bank as the surviving entity. The Bank Merger shall follow the Merger.

“Bank Merger Act” means the Bank Merger Act, within the FDIA and applicable regulations thereunder.

“Bank Merger Effective Date” means the date that the Articles of Combination evidencing shareholder approval of the Bank Merger is filed with the OCC or such other date as set forth in the Articles of Combination or as determined in accordance with applicable law.

“BHCA” means the Bank Holding Company Act, as amended.

“Certificate” means the certificate or certificates evidencing shares of Alpena Banking Corporation Common Stock.

“Claim” has the meaning given to such term in Section 6.08(a) of this Agreement.

“Closing” has the meaning given to such term in Section 2.03 of this Agreement.

“Closing Date” has the meaning given to such term in Section 2.03 of this Agreement.

“Confidentiality Agreement” has the meaning given to such term in Section 11.01 of this Agreement.

“Continuing Employees” has the meaning given to such term in Section 6.07(d) of this Agreement.

“CRA” means the Community Reinvestment Act.

“COBRA” has the meaning given to such term in Section 3.13(b) of this Agreement.

“DIFS” means the Michigan Department of Insurance and Financial Services.

“Disclosure Schedule” means the schedules delivered, before the execution of this Agreement, by one party to the other party which sets forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision of this Agreement or as an exception to one or more of the representations or warranties made by the party in Article III or IV hereof, as the case may be, or to one or more of the covenants of the party included in Article V or VI hereof, as the case may be. The inclusion of an item in a Disclosure Schedule as an exception to a representation or warranty will not by itself be deemed an admission by a party that such item is material or that such item is reasonably likely to result in a Material Adverse Effect with respect to such party or was required to be disclosed therein.

“Dodd-Frank Act” means the Dodd-Frank Wall Street Reform and Consumer Protection Act.

“Effective Time” has the meaning given to such term in Section 2.03 of this Agreement.

“Environmental Laws” means any applicable Federal, state or local law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, order, judgment, decree, injunction or

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agreement with any governmental entity relating to (1) the protection, preservation or restoration of the environment (including, without limitation, air, surface water, groundwater, drinking water supply, surface soil, subsurface soil, plant and animal life or any other natural resource), and/or (2) the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Materials of Environmental Concern. The term Environmental Laws includes without limitation (a) the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §9601, et seq. (“CERCLA”); the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901, et seq.; the Clean Air Act, as amended, 42 U.S.C. §7401, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251, et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. §2601, et seq.; the Emergency Planning and Community Right to Know Act, 42 U.S.C. §11001, et seq.; the Safe Drinking Water Act, 42 U.S.C. §300f, et seq.; and all comparable state and local laws, and (b) any common law (including without limitation common law that may impose strict liability) that may impose liability or obligations for injuries or damages due to the presence of or exposure to any Materials of Environmental Concern.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated from time to time thereunder.

“Exchange Agent” means the bank or trust company or other agent designated by First Federal Bancorp, and reasonably acceptable to Alpena Banking Corporation, which shall act as agent for First Federal Bancorp in connection with the exchange procedures for converting Certificates into the Merger Consideration.

“Exchange Fund” has the meaning given to such term in Section 2.05 of this Agreement.

“Exchange Ratio” has the meaning given to such term in Section 2.04 of this Agreement.

“FDIA” means the Federal Deposit Insurance Act, as amended.

“FDIC” means the Federal Deposit Insurance Corporation.

“FHLB” means the Federal Home Loan Bank of Indianapolis.

“First Federal Bancorp” means First Federal of Northern Michigan Bancorp, Inc., a Federal corporation having its principal place of business located at 100 South Second Avenue, Alpena, Michigan 49707.

“First Federal Bancorp Common Stock” means the common stock of First Federal Bancorp described in Section 4.03(a).

“First Federal Bancorp Option” means an option to purchase First Federal Bancorp Common Stock granted pursuant to the First Federal Bancorp Stock Benefit Plan.

“First Federal Bancorp Preferred Stock” has the meaning given to such term in Section 4.03(a) of this Agreement.

“First Federal Bancorp Regulatory Agreement” has the meaning given to such term in Section 4.10(c) of this Agreement.

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“First Federal Bancorp Securities Documents” has the meaning given to such term in Section 4.06(a) of this Agreement.

“First Federal Bancorp Shareholders Meeting” has the meaning given to such term in Section 7.01(b) of this Agreement.

“First Federal Bancorp Stock Benefit Plan” means the First Federal of Northern Michigan Bancorp, Inc. 2006 Stock-Based Incentive Plan.

“First Federal Bank” means First Federal of Northern Michigan, a federally chartered stock savings bank, having its home office located at 100 South Second Avenue, Alpena, Michigan 49707.

“First Federal Financials” means (i) the audited consolidated financial statements of First Federal Bancorp and Subsidiaries as of December 31, 2012 and 2011, and for the two years ended December 31, 2012, including the notes thereto; and (ii) the unaudited interim consolidated financial statements of First Federal Bancorp as of each calendar quarter following December 31, 2012 included in First Federal Bancorp Securities Documents.

“First Federal Subsidiary” means any direct or indirect Subsidiary of First Federal Bancorp, and includes First Federal Bank, except that it does not include any corporation the stock of which is held in the ordinary course of the lending activities of First Federal Bank.

“Former Alpena Banking Corporation Health Plan Participant” has the meaning given to such term in Section 6.07(d) of this Agreement.

“FRB” means the Board of Governors of the Federal Reserve System, including as successor to the Office of Thrift Supervision, and, where appropriate, the Federal Reserve Bank of Chicago.

“GAAP” means accounting principles generally accepted in the United States of America as in effect at the relevant date and consistently applied.

“Governmental Entity” means any Federal or state court, administrative agency or commission or other governmental authority or instrumentality.

“HIPAA” has the meaning given to such term in Section 3.13(b) of this Agreement.

“HOLA” means the Home Owners’ Loan Act, as amended.

“Indemnified Parties” has the meaning given to such term in Section 6.08(a) of this Agreement.

“IRC” has the meaning given to such term in the Recitals.

“IRS” means the Internal Revenue Service.

“Knowledge” as used with respect to a Party (including references to such Party being aware of a particular matter) means those facts that are actually known or would have been known following a reasonable investigation by the chief executive officer, chief financial officer or chief lending officer of such Party, and includes any facts, matters or circumstances set forth in any written notice from any Regulatory Authority or Governmental Entity or any other material written notice received by that Party.

“Maryland Department” means the Maryland State Department of Assessments and Taxation.

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“Material Adverse Effect” means, with respect to First Federal Bancorp or Alpena Banking Corporation, any effect, circumstance or occurrence that (i) is material and adverse to the financial condition, results of operations, assets or business of First Federal Bancorp and the First Federal Subsidiaries taken as a whole, or Alpena Banking Corporation and the Alpena Banking Subsidiaries taken as a whole, respectively, or (ii) does or would materially impair the ability of Alpena Banking Corporation, on the one hand, or First Federal Bancorp, on the other hand, to perform its obligations under this Agreement or otherwise materially threaten or materially impede the consummation of the transactions contemplated by this Agreement; provided that “Material Adverse Effect” shall not be deemed to include the impact of (a) changes in laws, rules or regulations affecting banks or thrift institutions or their holding companies generally, or interpretations thereof by courts or governmental agencies, (b) changes in GAAP or regulatory accounting principles or interpretations thereof generally applicable to financial institutions and/or their holding companies, (c) actions and omissions of a party hereto (or any of its Subsidiaries) taken in accordance with the terms of this Agreement or with the prior written consent of the other party, (d) the announcement of this Agreement and the transactions contemplated hereby, and compliance with this Agreement on the business, financial condition or results of operations of the Parties and their respective Subsidiaries, including the expenses incurred by the Parties hereto in consummating the transactions contemplated by this Agreement, and (e) changes in economic conditions generally, including changes in the general level of market interest rates, or in national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon or within the United States, or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, unless it uniquely affects either or both of the Parties or any of their Subsidiaries.

“Material Contracts” has the meaning given to such term in Section 3.09(c) of this Agreement.

“Materials of Environmental Concern” means pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products, and any other hazardous or toxic materials regulated under Environmental Laws.

“Maximum Amount” has the meaning given to such term in Section 6.08(c) of this Agreement.

“MBCA” means the Michigan Business Corporation Act.

“Merger Consideration” has the meaning given to such term in Section 2.04 of this Agreement.

“Merger Registration Statement” means the registration statement, together with all amendments, filed by First Federal Bancorp with the SEC under the Securities Act to register shares of First Federal Bancorp Common Stock to be offered to holders of Alpena Banking Corporation Common Stock in connection with the Merger, and shall include the Proxy Statement-Prospectus.

“Merger” means the merger of Alpena Banking Corporation with and into First Federal Bancorp with First Federal Bancorp as the surviving entity.

“MGCL” means the Maryland General Corporation Law.

“Michigan Director” means the Director of the Michigan Department of Licensing and Regulatory Affairs.

“Nasdaq” means the Nasdaq Capital Market.

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“Notice of Superior Proposal” has the meaning given to such term in Section 5.10 of this Agreement.

“OCC” means the Office of the Comptroller of the Currency, including as successor to the Office of Thrift Supervision.

“Participation Facility” has the meaning given to such term in Section 3.15(b) of this Agreement.

“PBGC” has the meaning given to such term in Section 3.13(c) of this Agreement.

“Person” means any individual, corporation, partnership, joint venture, association, trust or “group” (as that term is defined under the Exchange Act).

“Previously Disclosed” means, with respect to any specific section or subsection of this Agreement, the information set forth by a party in (i) the corresponding section or subsection of its Disclosure Schedule, and (ii) any other section or subsection of its Disclosure Schedule to the extent it is reasonably clear from the context that the disclosure in such other section or subsection of its Disclosure Schedule is applicable to such specific section or subsection of this Agreement.

“Proxy Statement-Prospectus” has the meaning given to such term in Section 7.02(a) of this Agreement.

“Regulations” means applicable regulations promulgated by the FRB, the FDIC, the DIFS or the OCC with respect to the operations of Alpena Banking Corporation or First Federal Bancorp or any of their Subsidiaries.

“Regulatory Approvals” means the approval or required consent or waiver of any Regulatory Authority that is necessary in connection with the consummation of the Merger or the Bank Merger and the related transactions contemplated by this Agreement.

“Regulatory Authority” or “Regulatory Authorities” means any agency or department of any Federal or state government having supervisory jurisdiction over the Parties and the transactions contemplated by this Agreement, including without limitation the FRB, the FDIC, the DIFS and the OCC.

“Release” means any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, dumping, disposing or depositing.

“Representative” has the meaning given to such term in Section 5.10(a) of this Agreement.

“Right” means any warrant, option, right, convertible security or other capital stock equivalent that obligates an entity to issue its securities.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated from time to time thereunder.

“Securities Laws” means the Securities Act and the Exchange Act and the rules and regulations promulgated from time to time thereunder.

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“Subsidiary” means any corporation, 50% or more of the capital stock of which is owned, either directly or indirectly, by another entity, except any corporation the stock of which is held as security by either First Federal Bank or Bank of Alpena as the case may be, in the ordinary course of their lending activities.

“Superior Proposal” has the meaning given to such term in Section 5.10 of this Agreement.

“Termination Date” means December 31, 2014.

“Treasury Stock” has the meaning given to such term in Section 2.04(a) of this Agreement.

ARTICLE II

THE MERGERS AND RELATED MATTERS

Section 2.01 Effects of Merger; Surviving Entities.

(a) *Structure.* Alpena Banking Corporation shall merge with and into First Federal Bancorp with First Federal Bancorp as the surviving entity pursuant to this Agreement. The separate existence of Alpena Banking Corporation shall cease, and all of the property (real, personal and mixed), rights, powers and duties and obligations of Alpena Banking Corporation shall be transferred to and assumed by First Federal Bancorp (or its wholly-owned subsidiary) as the surviving entity in the Merger, without further act or deed, all in accordance with the HOLA and applicable Regulations. The Articles of Incorporation and Bylaws of First Federal Bancorp as in effect immediately prior to the Effective Time shall be the Articles of Incorporation and Bylaws of the surviving entity, until thereafter amended as provided therein and by applicable law. The directors and officers of First Federal Bancorp immediately prior to the Effective Time shall be the directors and officers of surviving entity, in each case until their respective successors are duly elected or appointed and qualified.

(b) *Modification of Structure.* Notwithstanding any provision of this Agreement to the contrary, First Federal Bancorp may, subject to the filing of all necessary applications and the receipt of all required Regulatory Approvals, modify the structure of the transactions described in this Section 2.01, and the Parties shall enter into such alternative transactions, so long as (i) there are no adverse tax consequences to any of the shareholders of Alpena Banking Corporation as a result of such modification, (ii) such modification will not materially delay or jeopardize receipt of any required Regulatory Approvals required under Section 7.03, and (iii) the consideration to be paid to the holders of Alpena Banking Corporation Common Stock under this Agreement is not thereby changed in kind or value or reduced

in amount.

Section 2.02 Effect on Outstanding Shares of First Federal Bancorp Common Stock.

At and after the Effective Time, each share of First Federal Bancorp Common Stock issued and outstanding immediately prior to the Effective Time shall remain an issued and outstanding share of common stock of First Federal Bancorp at the Effective Time and shall not be affected by the Merger.

Section 2.03. Closing; Effective Time.

The closing of the Merger (“Closing”) shall occur on the date determined by First Federal Bancorp, in consultation with and upon no less than three (3) business days prior written notice to Alpena Banking Corporation, but in no event later than the close of business on the twentieth (20<sup>th</sup>) business day following the satisfaction or (to the extent permitted by applicable law) waiver of the conditions set forth in Article VIII (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or (to the extent permitted by applicable law) waiver of those conditions), or such other date

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that may be agreed to in writing by the Parties (the date on which the Closing occurs being the “Closing Date”). The Merger shall be effected by the filing of Articles of Merger with the Maryland Department and a Certificate of Merger with the Michigan Director in accordance with the MGCL and the MBCA, respectively. The Merger shall become effective at such time the Articles of Merger are filed with the Maryland Department and the Certificate of Merger is filed with the Michigan Director, or at such later time as the Parties agree and specify in the Articles of Merger and the Certificate of Merger, in accordance with the MGCL and the MBCA, respectively (the date and time the Merger becomes effective being the “Effective Time”).

Section 2.04. Conversion of Alpena Banking Corporation Common Stock.

At the Effective Time, by virtue of the Merger and without any action on the part of First Federal Bancorp, Alpena Banking Corporation or the holders of any of the shares of Alpena Banking Corporation Common Stock:

(a) All shares of Alpena Banking Corporation Common Stock held in the treasury of Alpena Banking Corporation (“Treasury Stock”) and each share of Alpena Banking Corporation Common Stock owned by First Federal Bancorp immediately prior to the Effective Time (other than shares held in a fiduciary capacity or in connection with debts previously contracted) shall, at the Effective Time, cease to exist, and the Certificates for such shares shall be canceled as promptly as practicable thereafter, and no payment or distribution shall be made in consideration therefor.

(b) Subject to Section 2.04(a), each share of Alpena Banking Corporation Common Stock issued and outstanding immediately prior to the Effective Time shall become and be converted into, as provided in and subject to the terms set forth in this Agreement, the right to receive 1.549 shares (the “Exchange Ratio”) of First Federal Bancorp Common Stock (the “Merger Consideration”).

(c) After the Effective Time, shares of Alpena Banking Corporation Common Stock shall be no longer outstanding and shall be canceled automatically and shall cease to exist, and shall thereafter by operation of this section represent the right to receive the Merger Consideration.

(d) In the event First Federal Bancorp changes (or establishes a record date for changing) the number of, or provides for the exchange of, shares of First Federal Bancorp Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, recapitalization, reclassification, reorganization or similar transaction with respect to the outstanding First Federal Bancorp Common Stock and the record date therefor shall be prior to the Effective Time, the Exchange Ratio shall be proportionately and appropriately adjusted.

Section 2.05 Procedures for Exchange of Alpena Banking Corporation Common Stock.

(a) At or prior to the Effective Time, First Federal Bancorp shall reserve sufficient shares of First Federal Bancorp Common Stock equal to the aggregate amount of the Merger Consideration payable pursuant to Section 2.04 of this Article II (such shares of First Federal Bancorp Common Stock together with the cash in lieu of fractional shares to be paid in accordance with Section 2.05(i) herein being hereinafter referred to as the “Exchange Fund”).

(b) First Federal Bancorp shall cause the Exchange Agent, within five (5) business days after the Effective Time, to mail to each holder of a Certificate or Certificates, a form letter of transmittal for return to the Exchange Agent and instructions for use in effecting the surrender of the Certificates for the Merger Consideration into which the Alpena Banking Corporation Common Stock represented by such Certificates shall have been converted as a result of the Merger. The letter of transmittal shall be subject to

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the approval of Alpena Banking Corporation (which shall not be unreasonably withheld, conditioned or delayed) and specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent. Upon proper surrender of a Certificate for exchange and cancellation to the Exchange Agent, together with a properly completed letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor, the Merger Consideration and a check representing any cash payment in lieu of fractional shares which such former holder has the right to receive in respect of the Certificate(s) surrendered pursuant to the provisions of this Section 2.05, and the Certificate(s) so surrendered shall forthwith be cancelled. No interest will be paid or accrued on the Merger Consideration.

(c) The holder of a Certificate shall have no rights, after the Effective Time, with respect to such Alpena Banking Corporation Common Stock except to surrender the Certificate(s) in exchange for the Merger Consideration (and any cash in lieu of fractional shares) as provided in this Agreement.

(d) If the Person surrendering a Certificate and signing the accompanying letter of transmittal is not the record holder thereof, then it shall be a condition of the payment of the Merger Consideration that: (i) such Certificate is properly endorsed to such Person or is accompanied by appropriate stock powers, in either case signed exactly as the name of the record holder appears on such Certificate, and is otherwise in proper form for transfer, or is accompanied by appropriate evidence of the authority of the Person surrendering such Certificate and signing the letter of transmittal to do so on behalf of the record holder; and (ii) the Person requesting such exchange shall pay to the Exchange Agent in advance any transfer or other taxes required by reason of the payment to a Person other than the registered holder of the Certificate surrendered, or required for any other reason, or shall establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(e) From and after the Effective Time, there shall be no transfers on the stock transfer books of Alpena Banking Corporation of the Alpena Banking Corporation Common Stock that was issued and outstanding immediately prior to the Effective Time other than to settle transfers of Alpena Banking Corporation Common Stock that occurred prior to the Effective Time. If, after the Effective Time, Certificates representing such shares are presented for transfer to the Exchange Agent, they shall be exchanged for the Merger Consideration (and any cash in lieu of fractional shares) and canceled as provided in this Article II.

(f) Neither First Federal Bancorp nor the Exchange Agent shall be liable to any holder of a Certificate for any Merger Consideration delivered in respect of such Certificate to a public official pursuant to applicable abandoned property, escheat or other similar law.

(g) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by the Exchange Agent or First Federal Bancorp, the posting by such person of a bond in such amount as the Exchange Agent may reasonably direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent

will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration deliverable in respect thereof.

(h) First Federal Bancorp or the Exchange Agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement or the transactions contemplated hereby to any holder of Alpena Banking Corporation Common Stock such amounts as First Federal Bancorp (or any Affiliate thereof) or the Exchange Agent are required to deduct and withhold with respect to the making of such payment under the IRC, or any applicable provision of U.S. Federal, state, local or non-U.S. tax law. To the extent that such amounts are properly withheld by First Federal Bancorp or the Exchange Agent, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the holder

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of the Alpena Banking Corporation Common Stock in respect of whom such deduction and withholding were made by First Federal Bancorp or the Exchange Agent.

(i) Notwithstanding anything to the contrary contained herein, no certificates or scrip representing fractional shares of First Federal Bancorp Common Stock shall be issued upon the surrender for exchange of Certificates, no dividend or distribution with respect to First Federal Bancorp Common Stock shall be payable on or with respect to any fractional share interest, and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a shareholder of First Federal Bancorp. In lieu of the issuance of any such fractional share, First Federal Bancorp shall pay to each former holder of Alpena Banking Corporation Common Stock who otherwise would be entitled to receive a fractional share of First Federal Bancorp Common Stock, an amount in cash, rounded to the nearest cent and without interest, equal to the product of (i) the fraction of a share to which such holder would otherwise have been entitled and (ii) the average of the daily closing sales prices of a share of First Federal Bancorp Common Stock as reported on the Nasdaq for the five consecutive trading days immediately preceding the Closing Date. For purposes of determining any fractional share interest, all shares of Alpena Banking Corporation Common Stock owned by an Alpena Banking Corporation shareholder shall be combined so as to calculate the maximum number of whole shares of First Federal Bancorp Common Stock issuable to such Alpena Banking Corporation shareholder.

Section 2.06 The Bank Merger.

Concurrently with or as soon as practicable after the execution and delivery of this Agreement, First Federal Bancorp will cause First Federal Bank, and Alpena Banking Corporation will cause Alpena Bank, to execute and deliver an agreement and plan of merger in respect of the Bank Merger. The parties intend that the Bank Merger will become effective simultaneously with or immediately following the Effective Time.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF ALPENA BANKING CORPORATION

Except as Previously Disclosed, Alpena Banking Corporation represents and warrants to First Federal Bancorp as follows:

Section 3.01 Standard.

Except as set forth in the following sentence, no representation or warranty of Alpena Banking Corporation contained in this Article III (other than the representation and warranty contained in Section 3.08, which shall be true in all respects) shall be deemed untrue or incorrect, and Alpena Banking Corporation shall not be deemed to have breached a representation or warranty, as a consequence of the existence of any fact, circumstance or event unless such fact, circumstance or event, individually or taken together with all other facts, circumstances or events inconsistent with any paragraph of this Article III, has had or reasonably would be expected to have a Material Adverse Effect, disregarding for these purposes (x) any qualification or exception for, or reference to, materiality in any such representation or warranty and (y) any use of the terms “material,” “materially,” “in all material respects,” “Material Adverse Effect” or similar terms or phrases in any such representation or warranty. The foregoing standard shall not apply to representations and warranties contained in Section 3.02 (other than Sections 3.02(d) and 3.02(e) and the last sentence of Section 3.02(b)), Section 3.03, Section 3.04 (other than Section 3.04(b)(iii)) and Section 3.14, which shall be true and correct in all material respects.

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Section 3.02 Organization.

(a) Alpena Banking Corporation is a corporation organized and validly existing under the laws of the State of Michigan, and is duly registered as a bank holding company under the BHCA. Alpena Banking Corporation has the full corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not have a Material Adverse Effect on Alpena Banking Corporation. Other than shares of capital stock of Bank of Alpena, and the Subsidiaries of Bank of Alpena as Previously Disclosed, Alpena Banking Corporation does not own or control, directly or indirectly, or have the right to acquire directly or indirectly, an equity interest in any corporation, limited liability company, association, partnership, joint venture or other entity.

(b) Bank of Alpena is a commercial bank organized and validly existing under the laws of the State of Michigan. Except for its Subsidiaries that are identified as Alpena Banking Subsidiaries, Bank of Alpena does not possess, directly or indirectly, any material equity interest in any corporation, limited liability company, association, partnership, joint venture or other entity, except for equity interests held in its investment portfolio, equity interests held by Bank of Alpena in a fiduciary capacity, and equity interests held in connection with its lending activities, including stock in the FHLB. Bank of Alpena owns all of the outstanding shares of capital stock of each of its Subsidiaries free and clear of all liens, security interests, pledges, charges, encumbrances, agreements and restrictions of any kind or nature. The deposits of Bank of Alpena are insured by the FDIC to the fullest extent permitted by law, and all premiums and assessments required to be paid in connection therewith have been paid when due.

(c) Bank of Alpena is a member in good standing of the FHLB and owns the requisite amount of stock therein.

(d) The respective minute books of Alpena Banking Corporation and Bank of Alpena accurately record, in all material respects, all material corporate actions of their respective shareholders and boards of directors (including committees) through the date of this Agreement.

(e) Prior to the date of this Agreement, Alpena Banking Corporation has made available to First Federal Bancorp true and correct copies of the Articles of Incorporation and bylaws of Bank of Alpena and Alpena Banking Corporation.

Section 3.03 Capitalization.

(a) The authorized capital stock of Alpena Banking Corporation consists of two-million (2,000,000) shares of common stock, \$10.00 par value. As of the date of this Agreement, there are 533,700 shares of Alpena Banking Corporation Common Stock outstanding, all of which are validly issued, fully paid and nonassessable and none of which were issued in violation of any preemptive rights. There are no shares of Alpena Banking Corporation Common Stock held by Alpena Banking Corporation as Treasury Stock. Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has or is bound by any Right of any character relating to the purchase, sale, issuance or voting of, or right to receive dividends or other distributions on, any shares of Alpena Banking Corporation Common Stock, or any other security of Alpena Banking Corporation or any Alpena Banking Subsidiary, or any securities representing the right to vote, purchase or otherwise receive any shares of Alpena Banking Corporation Common Stock or any other security of Alpena Banking Corporation.

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(b) The authorized capital stock of Bank of Alpena consists of four-hundred and fifty thousand (450,000) shares of common stock, \$5.00 par value. There are four-hundred and fifty thousand (450,000) shares of Bank of Alpena common stock outstanding, all of which are validly issued, fully paid and nonassessable and none of which were issued in violation of any preemptive rights, and all of which are owned by Alpena Banking Corporation free and clear of any liens, encumbrances, charges, restrictions or rights of third parties of any kind whatsoever.

Section 3.04 Authority; No Violation.

(a) Alpena Banking Corporation has full power and authority to execute and deliver this Agreement, perform its obligations hereunder, and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Alpena Banking Corporation and the completion by Alpena Banking Corporation of the transactions contemplated hereby have been duly and validly approved by the requisite vote of the Board of Directors of Alpena Banking Corporation and, except for approval from the shareholders of Alpena Banking Corporation and approval by Alpena Banking Corporation as the sole shareholder of Bank of Alpena, no other corporate proceedings on the part of Alpena Banking Corporation are necessary to complete the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Alpena Banking Corporation and constitutes the valid and binding obligations of Alpena Banking Corporation, enforceable against Alpena Banking Corporation in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and as to Bank of Alpena the conservatorship or receivership provisions of the FDIA, and subject, as to enforceability, to general principles of equity.

(b) Subject to the receipt of approvals from the Regulatory Authorities and the compliance by Alpena Banking Corporation and First Federal Bancorp with any conditions contained therein (including the expiration of any applicable waiting period),

(A) the execution and delivery of this Agreement by Alpena Banking Corporation,

(B) the consummation of the transactions contemplated hereby, and

(C) compliance by Alpena Banking Corporation with any of the terms or provisions hereof,

will not: (i) conflict with or result in a material breach of any provision of the Articles of Incorporation or bylaws of Alpena Banking Corporation or the articles of incorporation or bylaws of any Alpena Banking Subsidiary; (ii) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to Alpena Banking Corporation or any Alpena Banking Subsidiary or any of the properties or assets of Alpena Banking Corporation or any Alpena Banking Subsidiary; or (iii) except as Previously Disclosed, violate, conflict with, result in a breach of any provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default)

under, result in the termination of, accelerate the performance required by, or result in a right of termination or acceleration or the creation of any lien, security interest, charge or other encumbrance upon any of the properties or assets of Alpena Banking Corporation or any Alpena Banking Subsidiary under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other investment or obligation to which Alpena Banking Corporation or any Alpena Banking Subsidiary is a party, or by which they or any of their respective properties or assets may be bound or affected, except in the case of clause (iii) above, for violations which, individually or in the aggregate, would not have a Material Adverse Effect on Alpena Banking Corporation.

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(c) The affirmative vote of the holders of a majority of the outstanding shares of Alpena Banking Corporation Common Stock is the only vote of holders of any class of Alpena Banking Corporation's capital stock necessary to adopt and approve this Agreement and the transactions contemplated hereby.

(d) The board of directors of Alpena Banking Corporation, by resolution duly adopted by the requisite vote of the board of directors at a meeting duly called and held, has (x) determined that this Agreement, the Merger and the other transactions contemplated hereby are fair to and in the best interests of Alpena Banking Corporation and its shareholders, and (y) recommended that the shareholders of Alpena Banking Corporation approve this Agreement and directed that such matter be submitted for consideration by the Alpena Banking Corporation shareholders at the Alpena Banking Corporation Shareholders Meeting.

Section 3.05 Consents.

Except as Previously Disclosed and for (a) filings with Regulatory Authorities, the receipt of the Regulatory Approvals, the expiration of any waiting periods, and compliance with any conditions contained therein, (b) the filing of the Articles of Merger with the Maryland Department and the Certificate of Merger with the Michigan Director, (c) the filing with the SEC of (i) the Merger Registration Statement and (ii) such reports under Sections 13(a), 13(d), 13(g) and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby and the obtaining from the SEC of such orders as may be required in connection therewith, (d) the filing with the Nasdaq Stock Market of a notification of the listing of the shares of First Federal Bancorp Common Stock to be issued in the Merger, (e) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of various states in connection with the issuance of shares of First Federal Bancorp Common Stock pursuant to this Agreement and (f) the approval of this Agreement by the requisite votes of the shareholders of Alpena Banking Corporation and First Federal Bancorp, no consents, waivers or approvals of, or filings or registrations with, any Governmental Entity are necessary, and, to the Knowledge of Alpena Banking Corporation, no consents, waivers or approvals of, or filings or registrations with, any other third parties are necessary, in connection with (x) the execution and delivery of this Agreement by Alpena Banking Corporation, and (y) the completion of the Merger by Alpena Banking Corporation. Alpena Banking Corporation has no Knowledge of any reason pertaining to Alpena Banking Corporation why any Regulatory Approvals or other required consents or approvals should not be received.

Section 3.06 Financial Statements.

(a) Alpena Banking Corporation has previously provided First Federal Bancorp copies of the Alpena Banking Financials. Such financial statements were prepared from the books and records of Alpena Banking Corporation and its Subsidiaries, fairly present the consolidated financial position of Alpena Banking Corporation and its Subsidiaries in each case at and as of the dates indicated and the consolidated results of operations of Alpena Banking Corporation and its Subsidiaries for the periods indicated, and were prepared in accordance with GAAP consistently applied

throughout the periods covered thereby.

(b) The books and records of Alpena Banking Corporation and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions.

(c) Alpena Banking Corporation and each of its Subsidiaries have timely filed all reports, forms, schedules, registrations, statements and other documents, together with any amendments required to be made with respect thereto, that they were required to file since December 31, 2010 with any Governmental Entity and have paid all fees and assessments due and payable in connection therewith,

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except where the failure to make such filings or pay such fees would not have a Material Adverse Effect on Alpena Banking Corporation.

(d) Alpena Banking Corporation and its Subsidiaries have devised and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, and (iii) access to assets is permitted only in accordance with management's general or specific authorization. Alpena Banking Corporation's Disclosure Schedule discloses (x) any significant deficiencies in and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect in any material respect the Company's ability to record, process, summarize and report financial information and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in Alpena Banking Corporation's internal controls over financial reporting.

(e) Since December 31, 2010, (A) neither Alpena Banking Corporation nor any of its Subsidiaries nor, to its Knowledge, any director, officer, employee, auditor, accountant or representative of it or any of its Subsidiaries has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of it or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that it or any of its Subsidiaries has engaged in questionable accounting or auditing practices, and (B) no attorney representing it or any of its Subsidiaries, whether or not employed by it or any of its Subsidiaries, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by it or any of its officers, directors, employees or agents to its board of directors or any committee thereof or to any of its directors or officers.

(f) Since December 31, 2012, Alpena Banking Corporation and its Subsidiaries have not incurred any liability other than as reflected in the Alpena Banking Financials or in the ordinary course of business consistent with past practice.

Section 3.07 Taxes.

Alpena Banking Corporation and the Alpena Banking Subsidiaries are members of the same affiliated group within the meaning of IRC Section 1504(a). Alpena Banking Corporation and each Alpena Banking Subsidiary has duly filed all Federal, state and material local tax returns required to be filed by or with respect to it on or prior to the Closing Date, taking into account any extensions (all such returns, to the Knowledge of Alpena Banking Corporation, being accurate and correct in all material respects) and has duly paid or made provisions for the payment of all material Federal, state and local taxes that have been incurred by or are due or claimed to be due from it by any taxing

authority or pursuant to any written tax sharing agreement on or prior to the Closing Date other than taxes or other charges which (i) are not delinquent, (ii) are being contested in good faith, or (iii) have not yet been fully determined. As of the date of this Agreement, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has received written notice of, and to the Knowledge of Alpena Banking Corporation, there is no audit examination, deficiency assessment, tax investigation or refund litigation with respect to any taxes of Alpena Banking Corporation or any Alpena Banking Subsidiary, and no written claim has been made by any authority in a jurisdiction where Alpena Banking Corporation or any Alpena Banking Subsidiary does not file tax returns that Alpena Banking Corporation or any Alpena Banking Subsidiary is subject to taxation in that jurisdiction. Alpena Banking Corporation and no Alpena Banking Subsidiary has executed an extension or waiver of any statute of limitations on the assessment or collection of any material tax due that is currently

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in effect. Alpena Banking Corporation and each Alpena Banking Subsidiary has withheld and paid all taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party, and Alpena Banking Corporation and each Alpena Banking Subsidiary, to the Knowledge of Alpena Banking Corporation, has timely complied with all applicable information reporting requirements under Part III, Subchapter A of Chapter 61 of the IRC and similar applicable state and local information reporting requirements.

Section 3.08 No Material Adverse Effect.

Other than as Previously Disclosed, Alpena Banking Corporation has not suffered any Material Adverse Effect since December 31, 2012, and no event has occurred or circumstance arisen since that date which, in the aggregate, has had or is reasonably likely to have a Material Adverse Effect on Alpena Banking Corporation.

Section 3.09 Material Contracts; Leases; Defaults.

(a) Except as Previously Disclosed, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary is a party to or subject to: (i) any employment, consulting or severance contract or material arrangement with any past or present officer, director or employee, except for “at will” arrangements; (ii) any plan, material arrangement or contract providing for bonuses, pensions, options, deferred compensation, retirement payments, profit sharing or similar material arrangements for or with any past or present officers, directors or employees; (iii) any collective bargaining agreement with any labor union relating to employees; (iv) any agreement which by its terms limits the payment of dividends by Alpena Banking Corporation or any Alpena Banking Subsidiary; (v) any instrument evidencing or related to material indebtedness for borrowed money whether directly or indirectly, by way of purchase money obligation, conditional sale, lease purchase, guaranty or otherwise, in respect of which Alpena Banking Corporation or any Alpena Banking Subsidiary is an obligor to any person, which instrument evidences or relates to indebtedness other than deposits, repurchase agreements, FHLB advances, bankers’ acceptances, and “treasury tax and loan” accounts and transactions in “federal funds” in each case established in the ordinary course of business consistent with past practice, or which contains financial covenants or other restrictions (other than those relating to the payment of principal and interest when due) which would be applicable on or after the Closing Date to First Federal Bancorp or any First Federal Bancorp Subsidiary; (vi) any other agreement, written or oral, that obligates Alpena Banking Corporation or any Alpena Banking Subsidiary for the payment of more than \$50,000 annually or for the payment of more than \$100,000 over its remaining term, which is not terminable without cause on 60 days’ or less notice without penalty or payment (other than agreements for commercially available “off-the-shelf” software), or (vii) any agreement (other than this Agreement), contract, arrangement, commitment or understanding (whether written or oral) that restricts or limits in any material way the conduct of business by Alpena Banking Corporation or any Alpena Banking Subsidiary (it being understood that any non-compete or similar provision shall be deemed material, but any limitation on the scope of any license granted under any such agreement shall not be deemed material).

(b) Alpena Banking Corporation has Previously Disclosed each real estate lease to which it or any Alpena Banking Subsidiary is a party that requires the consent of the lessor or its agent resulting from the Merger or the Bank Merger by virtue of the terms of any such lease. Subject to any consents that may be required as a result of the transactions contemplated by this Agreement, to its Knowledge, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary is in default in any material respect under any material contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business, or operations may be bound or affected, or under which it or its assets, business, or operations receive benefits, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default.

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(c) True and correct copies of agreements, contracts, arrangements and instruments referred to in Section 3.09(a) and (b) (“Material Contracts”) have been made available to First Federal Bancorp on or before the date hereof, and are in full force and effect on the date hereof. Except as Previously Disclosed, no party to any Material Contract will have the right to terminate any or all of the provisions of any such Material Contract as a result of the execution of, and the consummation of the transactions contemplated by, this Agreement.

(d) Since December 31, 2012, through and including the date of this Agreement, and except as Previously Disclosed, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has (i) except for (A) normal increases for employees made in the ordinary course of business consistent with past practice, or (B) as required by applicable law, increased the wages, salaries, compensation, pension, or other fringe benefits or perquisites payable to any executive officer, employee, or director, granted any severance or termination pay, entered into any contract to make or grant any severance or termination pay (except as required under the terms of agreements or severance plans and as Previously Disclosed by Alpena Banking Corporation), or paid any bonus other than the customary year-end bonuses in amounts consistent with past practice, (ii) granted any options to purchase shares of Alpena Banking Corporation Common Stock, or any right to acquire any shares of its capital stock to any officer, director or employee, (iii) increased or established any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, (iv) made any material election for Federal or state income tax purposes, (v) made any material change in the credit policies or procedures of Alpena Banking Corporation or any of the Alpena Banking Subsidiaries, the effect of which was or is to make any such policy or procedure less restrictive in any material respect, (vi) made any material acquisition or disposition of any assets or properties, or any contract for any such acquisition or disposition entered into other than loans and loan commitments, (vii) entered into any lease of real or personal property requiring annual payments in excess of \$50,000 other than in connection with foreclosed property or in the ordinary course of business consistent with past practice, (viii) changed any accounting methods, principles or practices of Alpena Banking Corporation or its Subsidiaries affecting its assets, liabilities or businesses, including any reserving, renewal or residual method, practice or policy or (ix) suffered any strike, work stoppage, slow-down, or other labor disturbance.

Section 3.10 Ownership of Property; Insurance Coverage.

(a) Alpena Banking Corporation and each Alpena Banking Subsidiary has good and, as to real property, marketable title to all material assets and properties owned by it or each Alpena Banking Subsidiary in the conduct of its businesses, whether such assets and properties are real or personal, tangible or intangible, including assets and property reflected in the balance sheets contained in the Alpena Banking Financials or acquired subsequent thereto (except to the extent that such assets and properties have been disposed of in the ordinary course of business, since the date of such balance sheets), subject to no material encumbrances, liens, mortgages, security interests or pledges, except (i) those items which secure liabilities for public or statutory obligations or any discount with, borrowing from or other obligations to FHLB, inter-bank credit facilities, or any transaction by an Alpena Banking Subsidiary acting in a fiduciary capacity, (ii) statutory liens for amounts not yet delinquent or that are being contested in good faith, (iii) non-monetary liens affecting real property that do not adversely affect the value or use of such real property, and (iv) those described and reflected in the Alpena Banking Financials. Alpena Banking Corporation and the Alpena Banking Corporation Subsidiaries, as lessee, have the right under valid and existing leases of real and personal properties used

by Alpena Banking Corporation and its Subsidiaries in the conduct of their businesses to occupy or use all such properties as presently occupied and used by each of them.

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(b) With respect to all material agreements pursuant to which Alpena Banking Corporation or any Alpena Banking Subsidiary has purchased securities subject to an agreement to resell, if any, Alpena Banking Corporation or such Alpena Banking Subsidiary, as the case may be, has a lien or security interest (which to Alpena Banking Corporation's Knowledge is a valid, perfected first lien) in the securities or other collateral securing the repurchase agreement, and the value of such collateral equals or exceeds the amount of the debt secured thereby.

(c) Alpena Banking Corporation and each Alpena Banking Subsidiary currently maintain insurance considered by each of them to be reasonable for their respective operations. Except as Previously Disclosed, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary, has received notice from any insurance carrier since December 31, 2010 that (i) such insurance will be canceled or that coverage thereunder will be reduced or eliminated, or (ii) premium costs (other than with respect to health or disability insurance) with respect to such policies of insurance will be substantially increased. Except as Previously Disclosed, there are presently no material claims pending under such policies of insurance and no notices have been given by Alpena Banking Corporation or any Alpena Banking Subsidiary under such policies (other than with respect to health or disability insurance). All such insurance is valid and enforceable and in full force and effect, and since December 31, 2010, Alpena Banking Corporation and each Alpena Banking Subsidiary has received each type of insurance coverage for which it has applied and during such periods has not been denied indemnification for any material claims submitted under any of its insurance policies.

Section 3.11 Legal Proceedings.

Except as Previously Disclosed, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary is a party to any, and there are no pending or, to the Knowledge of Alpena Banking Corporation, threatened legal, administrative, arbitration or other proceedings, claims (whether asserted or unasserted), actions or governmental investigations or inquiries of any nature (i) against Alpena Banking Corporation or any Alpena Banking Subsidiary, (ii) to which Alpena Banking Corporation or any Alpena Banking Subsidiary's assets are or may be subject, (iii) challenging the validity or propriety of any of the transactions contemplated by this Agreement, or (iv) which would reasonably be expected to adversely affect the ability of Alpena Banking Corporation to perform under this Agreement, except as to (i) and (ii) above, for any proceeding, claim, action, investigation or inquiry which, if adversely determined, individually or in the aggregate, would not be reasonably expected to have a Material Adverse Effect on Alpena Banking Corporation.

Section 3.12 Compliance With Applicable Law.

(a) Except as Previously Disclosed and where noncompliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Alpena Banking Corporation, to Alpena Banking Corporation's Knowledge each of Alpena Banking Corporation and each Alpena Banking Subsidiary is in compliance in all material respects with all applicable Federal, state, local and foreign statutes, laws, regulations, ordinances,

rules, judgments, orders or decrees applicable to it, its properties, assets and deposits, its business, and its conduct of business and its relationship with its employees, including, without limitation, the Bank Secrecy Act, the USA PATRIOT Act, the Community Reinvestment Act of 1977, the Home Mortgage Disclosure Act, the Equal Credit Opportunity Act, the Fair Housing Act and all other applicable fair lending laws and other laws relating to discriminatory business practices, and neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has received any written notice to the contrary. The Board of Directors of Bank of Alpena has adopted, and Bank of Alpena has implemented, an anti-money laundering program that contains adequate and appropriate customer identification verification procedures that has not been deemed ineffective by any Governmental Entity and

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that meets the requirements of Sections 352 and 326 of the USA PATRIOT Act and the regulations thereunder.

(b) Each of Alpena Banking Corporation and each Alpena Banking Subsidiary has all material permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Entities and Regulatory Authorities that are required to allow it to own or lease its properties and to conduct its business as presently conducted except where the failure to hold such permits, licenses, authorizations, orders or approvals, or the failure to make such filings, applications or registrations would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Alpena Banking Corporation; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect in all material respects and, to the Knowledge of Alpena Banking Corporation, no suspension or cancellation of any such permit, license, certificate, order or approval is threatened or will result from the consummation of the transactions contemplated by this Agreement, subject to obtaining Regulatory Approvals.

(c) Except as Previously Disclosed, since December 31, 2010, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has received any written notification or, to Alpena Banking Corporation's Knowledge, any other communication from any Regulatory Authority (i) asserting that Alpena Banking Corporation or any Alpena Banking Subsidiary is not in material compliance with any of the statutes, regulations or ordinances that such Regulatory Authority enforces; (ii) requiring or threatening to require, Alpena Banking Corporation or any Alpena Banking Subsidiary, or indicating that Alpena Banking Corporation or any Alpena Banking Subsidiary may be required, to enter into a cease and desist order, agreement or memorandum of understanding or any other agreement with any Federal or state governmental agency or authority that is charged with the supervision or regulation of banks or engages in the insurance of bank deposits; or (iii) directing, restricting or limiting, or purporting to direct, restrict or limit, in any manner the operations of Alpena Banking Corporation or any Alpena Banking Subsidiary, including without limitation any restriction on the payment of dividends (any such notice, communication, memorandum, agreement or order described in this sentence is hereinafter referred to as an "Alpena Banking Corporation Regulatory Agreement"). Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has consented to or entered into any Alpena Banking Corporation Regulatory Agreement that is currently in effect. The most recent regulatory rating given to Bank of Alpena as to compliance with the Community Reinvestment Act ("CRA") is satisfactory or better.

Section 3.13 Employee Benefit Plans.

(a) Alpena Banking Corporation has Previously Disclosed a list of all existing bonus, incentive, deferred compensation, supplemental executive retirement plans, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, stock appreciation, phantom stock, severance, welfare benefit plans (including paid time off policies and other material benefit policies and procedures), fringe benefit plans, employment, consulting, settlement and change in control agreements and all other material benefit practices, policies and arrangements maintained by Alpena Banking Corporation or any Alpena Banking Subsidiary in which any employee or former employee, consultant or former consultant or director or former director participates or to which any such employee, consultant or director is a party or is otherwise entitled to receive benefits

(the “Alpena Banking Corporation Compensation and Benefit Plans”). Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has any commitment to create any additional Alpena Banking Corporation Compensation and Benefit Plan or to materially modify, change or renew any existing Alpena Banking Corporation Compensation and Benefit Plan (any modification or change that increases the cost of such plans would be deemed material), except as required to maintain the qualified status thereof. Alpena Banking Corporation has made available to First Federal Bancorp true and correct copies of the Alpena Banking Corporation Compensation and Benefit Plans.

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(b) To the Knowledge of Alpena Banking Corporation, each Alpena Banking Corporation Compensation and Benefit Plan has been operated and administered in all material respects in accordance with its terms and with applicable law, including, but not limited to, ERISA, the IRC, the Age Discrimination in Employment Act, Part G of Subtitle I of ERISA and Section 4980B of the IRC (collectively, “COBRA”), the Health Insurance Portability and Accountability Act (“HIPAA”) and any regulations or rules promulgated thereunder, and all material filings, disclosures and notices required by ERISA, the IRC, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act, COBRA and HIPAA and any other applicable law have been timely made or any interest, fines, penalties or other impositions for late filings have been paid in full. Each Alpena Banking Corporation Compensation and Benefit Plan that is an “employee pension benefit plan” within the meaning of Section 3(2) of ERISA and that is intended to be qualified under Section 401(a) of the IRC has received a favorable determination letter from the IRS or is entitled to rely on a determination letter issued to the sponsor of a master or prototype plan, and Alpena Banking Corporation is not aware of any circumstances that are reasonably likely to result in revocation of any such favorable determination letter. There is no material pending or, to the Knowledge of Alpena Banking Corporation, threatened action, suit or claim relating to any of the Alpena Banking Corporation Compensation and Benefit Plans (other than routine claims for benefits). Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has engaged in a transaction, or omitted to take any action, with respect to any Alpena Banking Corporation Compensation and Benefit Plan that would reasonably be expected to subject Alpena Banking Corporation or any Alpena Banking Subsidiary to a material unpaid tax or penalty imposed by either Chapter 43 of the IRC or Sections 409 or 502 of ERISA.

(c) No liability under Title IV of ERISA has been incurred by Alpena Banking Corporation or any Alpena Banking Subsidiary with respect to any Alpena Banking Corporation Compensation and Benefit Plan that is subject to Title IV of ERISA (“Alpena Banking Corporation Defined Benefit Plan”) currently or formerly maintained by Alpena Banking Corporation or any entity that is considered one employer with Alpena Banking Corporation under Section 4001(b)(1) of ERISA or Section 414 of the IRC (an “Alpena Banking Corporation ERISA Affiliate”) since the effective date of ERISA that has not been satisfied in full, and no condition exists that presents a material risk to Alpena Banking Corporation or any Alpena Banking Corporation ERISA Affiliate of incurring a liability under such Title. No Alpena Banking Corporation Defined Benefit Plan had an “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, as of the last day of the end of the most recent plan year ending prior to the date hereof. Except as Previously Disclosed, the fair market value of the assets of each Alpena Banking Corporation Defined Benefit Plan exceeds the present value of the “benefit liabilities” (as defined in Section 4001(a)(16) of ERISA) under such Alpena Banking Corporation Defined Benefit Plan as of the end of the most recent plan year with respect to the respective Alpena Banking Corporation Defined Benefit Plan ending prior to the date hereof, calculated on the basis of the actuarial assumptions used in the most recent actuarial valuation for such Alpena Banking Corporation Defined Benefit Plan as of the date hereof; there is not currently pending with the Pension Benefits Guarantee Corporation (“PBGC”) any filing with respect to any reportable event under Section 4043 of ERISA nor has any reportable event occurred as to which a filing is required and has not been made (other than as might be required with respect to this Agreement and the transactions contemplated thereby). Neither Alpena Banking Corporation nor any Alpena Banking Corporation ERISA Affiliate has contributed to any “multiemployer plan,” as defined in Section 3(37) of ERISA. Neither Alpena Banking Corporation, nor any Alpena Banking Corporation ERISA Affiliate, nor any Alpena Banking Corporation Compensation and Benefit Plan, including any Alpena Banking Corporation Defined Benefit Plan, nor any trust created thereunder, nor any trustee or administrator thereof, has engaged in a transaction in connection with which Alpena Banking Corporation, any Alpena Banking Corporation ERISA Affiliate, and any Alpena Banking Corporation Compensation and Benefit Plan, including any Alpena Banking Corporation Defined Benefit Plan or any such trust or any trustee or administrator thereof, could reasonably be expected to be subject to either a civil liability or

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penalty pursuant to Section 409, 502(i) or 502(l) of ERISA or a tax imposed pursuant to Chapter 43 of the IRC.

(d) All material contributions required to be made under the terms of any Alpena Banking Corporation Compensation and Benefit Plan have been timely made, and all anticipated contributions and funding obligations are accrued on Alpena Banking Corporation's consolidated financial statements to the extent required by GAAP. Alpena Banking Corporation and each Alpena Banking Subsidiary has expensed and accrued as a liability the present value of future benefits under each applicable Alpena Banking Corporation Compensation and Benefit Plan for financial reporting purposes to the extent required by GAAP.

(e) Except as Previously Disclosed, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has any obligations to provide retiree health, life insurance, or disability insurance, or any retiree death benefits under any Alpena Banking Corporation Compensation and Benefit Plan, other than benefits mandated by COBRA. There has been no communication to employees by Alpena Banking Corporation or any Alpena Banking Subsidiary that would reasonably be expected to promise or guarantee such employees retiree health, life insurance, or disability insurance, or any retiree death benefits.

(f) Alpena Banking Corporation and its Subsidiaries do not maintain any Alpena Banking Corporation Compensation and Benefit Plans covering employees who are not United States residents.

(g) With respect to each Alpena Banking Corporation Compensation and Benefit Plan, if applicable, Alpena Banking Corporation has provided or made available to First Federal Bancorp copies of the: (A) plan documents, trust instruments and insurance contracts; (B) three most recent IRS Forms 5500; (C) three most recent actuarial reports and financial statements; (D) most recent summary plan description; (E) most recent determination letter issued by the IRS; (F) any Form 5310 or Form 5330 filed with the IRS within the last three years; (G) most recent nondiscrimination tests performed under ERISA and the IRC (including 401(k) and 401(m) tests); and (H) PBGC Form 500 and 501 filings, along with the Notice of Intent to Terminate, ERISA Section 204(h) Notice, Notice of Plan Benefits, and all other documentation related to the termination of an Alpena Banking Corporation Pension Plan.

(h) Except as Previously Disclosed, the consummation of the Merger or the Bank Merger will not, directly or indirectly (including, without limitation, as a result of any termination of employment or service at any time prior to or following the Effective Time) (A) entitle any employee, consultant or director to any payment or benefit (including severance pay, change in control benefit, or similar compensation) or any increase in compensation, (B) entitle any employee or independent contractor to terminate any plan, agreement or arrangement without cause and continue to accrue future benefits thereunder, or result in the vesting or acceleration of any benefits under any Alpena Banking Corporation Compensation and Benefit Plan, (C) result in any material increase in benefits payable under any Alpena Banking Corporation Compensation and Benefit Plan, or (D) entitle any current or former employee, director or independent contractor of Alpena Banking Corporation or any Alpena Banking Subsidiary to any actual or deemed payment (or benefit) which could constitute a "parachute payment" (as such term is defined in Section 280G of the

IRC). No payments to any employee or director have been made or will be made (or will be required to be made) as the result of the transactions contemplated hereby that would result in a violation of Section 18(k) of the FDIA (12 U.S.C. 1828(k)) and the regulations promulgated thereunder by the FDIC (12 C.F.R. Part 359), or any successor statute or regulation.

(i) Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary maintains any compensation plans, programs or arrangements under which any payment is reasonably likely to become non-deductible, in whole or in part, for tax reporting purposes as a result of the limitations under Section 162(m) of the IRC and the regulations thereunder.

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(j) Except as Previously Disclosed, there are no stock options, stock appreciation or similar rights, earned dividends or dividend equivalents, or shares of restricted stock, outstanding under any of the Alpena Banking Corporation Compensation and Benefit Plans or otherwise as of the date hereof and none will be granted, awarded, or credited after the date hereof.

Section 3.14 Brokers, Finders and Financial Advisors.

Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary, nor any of their respective officers, directors, employees or agents, has employed any broker, finder or financial advisor in connection with the transactions contemplated by this Agreement, or incurred any liability or commitment for any fees or commissions to any such person in connection with the transactions contemplated by this Agreement except for the retention of RP Financial, LC. by Alpena Banking Corporation and the fee payable pursuant thereto. Alpena Banking Corporation has Previously Disclosed a true and correct copy of the engagement agreement with RP Financial, LC. for its services rendered to Alpena Banking Corporation in connection with the Merger and transactions contemplated by this Agreement.

Section 3.15 Environmental Matters.

(a) With respect to Alpena Banking Corporation and each Alpena Banking Subsidiary:

(i) To the Knowledge of Alpena Banking Corporation and each Alpena Banking Subsidiary, neither the conduct nor operation of its business nor any condition of any property currently or previously owned or operated by it, results or resulted in a violation of any Environmental Laws that is reasonably likely to impose a material liability (including a material remediation obligation) upon Alpena Banking Corporation or any Alpena Banking Subsidiary. Except as Previously Disclosed, to the Knowledge of Alpena Banking Corporation, no condition exists or event has occurred with respect to Alpena Banking Corporation or any Alpena Banking Subsidiary or any owned or operated property that is reasonably likely to result in any material liability to Alpena Banking Corporation or any Alpena Banking Subsidiary by reason of any Environmental Laws. Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary during the past five years has received any written notice from any Person or Governmental Entity that Alpena Banking Corporation or any Alpena Banking Subsidiary or the operation or condition of any property ever owned or operated by Alpena Banking Corporation or any Alpena Banking Subsidiary (including Participation Facilities) is currently in violation of or otherwise is alleged to have liability under any Environmental Laws or relating to Materials of Environmental Concern (including, but not limited to, responsibility (or potential responsibility) for the cleanup or other remediation of any Materials of Environmental Concern at, on, beneath, or originating from any such property) for which a material liability is reasonably likely to be imposed upon Alpena Banking Corporation or any Alpena Banking Subsidiary;

(ii) There is no suit, claim, action, demand, executive or administrative order, directive, investigation or proceeding pending or, to the Knowledge of Alpena Banking Corporation, threatened, before any court, governmental agency or other forum against Alpena Banking Corporation or any Alpena Banking Subsidiary (x) for alleged noncompliance (including by any predecessor) with, or liability under, any Environmental Law or (y) relating to the presence of or Release into the environment of any Materials of Environmental Concern whether or not occurring at or on a site owned, leased or operated by Alpena Banking Corporation or any Alpena Banking Subsidiary;

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(iii) To Alpena Banking Corporation's Knowledge, there are no underground storage tanks on, in or under any properties owned or operated by Alpena Banking Corporation or any of the Alpena Banking Corporation Subsidiaries, and to Alpena Banking Corporation's Knowledge, no underground storage tanks have been closed or removed from any properties owned or operated by Alpena Banking Corporation or any of the Alpena Banking Corporation Subsidiaries or any Participation Facility except in compliance with Environmental Laws in all material respects; and

(iv) To the Knowledge of Alpena Banking Corporation, no condition exists on any property for which Alpena Banking Corporation holds a lien, that results or resulted in a material violation of Environmental Laws or creates a material liability under Environmental Law that is reasonably likely to impose a material liability (including a material remediation obligation) upon Alpena Banking Corporation or any Alpena Banking Subsidiary.

(b) "Participation Facility" means any facility in which Alpena Banking Corporation or its Subsidiaries participates in the management (as that term is defined under CERCLA), whether as a fiduciary, lender in control of the facility, owner or operator.

Section 3.16 Loan Portfolio.

(a) The allowance for loan losses reflected in Alpena Banking Corporation's audited consolidated balance sheet at December 31, 2012 was, and the allowance for loan losses shown on the balance sheets in filings made by Alpena Banking Corporation of any Alpena Banking Subsidiary with any Governmental Entity or Regulatory Authority for periods ending after December 31, 2012 was or will be, adequate, as of the date thereof, under GAAP.

(b) Alpena Banking Corporation has Previously Disclosed a list setting forth, as of December 31, 2013, by account, of: (A) all loans (including loan participations) of Alpena Banking Corporation or any other Alpena Banking Subsidiary that have been accelerated during the past twelve months; (B) all loan commitments or lines of credit of Alpena Banking Corporation or any other Alpena Banking Subsidiary which have been terminated by Alpena Banking Corporation or any other Alpena Banking Subsidiary during the past twelve months by reason of a default or adverse developments in the condition of the borrower or other events or circumstances affecting the credit of the borrower; (C) each borrower, customer or other party which has notified Alpena Banking Corporation or any other Alpena Banking Subsidiary during the three years preceding the date of this Agreement, or has asserted against Alpena Banking Corporation or any other Alpena Banking Subsidiary, in each case in writing, any "lender liability" or similar claim, and, to the Knowledge of Alpena Banking Corporation, each borrower, customer or other party which has given Alpena Banking Corporation or any other Alpena Banking Subsidiary any oral notification of, or orally asserted to or against Alpena Banking Corporation or any other Alpena Banking Subsidiary, any such claim; (D) all loans (1) that are contractually past due 90 days or more in the payment of principal and/or interest, (2) that are on non-accrual status, (3) that are as of the date of this Agreement classified as "substandard," "doubtful," "loss," "classified," "criticized," "credit risk assets," "concerned loans," "watch list" or "special mention" (or words of similar import) by Alpena Banking Corporation and any Alpena Banking Subsidiary, or any applicable Regulatory Authority, (4) as to which a reasonable

doubt exists as to the timely future collectability of principal and/or interest, whether or not interest is still accruing or the loans are less than 90 days past due, (5) where, during the past three years, the interest rate terms have been reduced and/or the maturity dates have been extended subsequent to the agreement under which the loan was originally created due to concerns regarding the borrower's ability to pay in accordance with such initial terms, (6) where a specific reserve allocation exists in connection therewith or (7) that are required to be accounted for as a troubled debt restructuring in accordance with Accounting Standards Codification 310-40; and (E) all assets classified by Bank of Alpena or any Alpena Banking Subsidiary as

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real estate acquired through foreclosure or in lieu of foreclosure, including in-substance foreclosures, and all other assets currently held that were acquired through foreclosure or in lieu of foreclosure. The foregoing excludes any individual loan with a principal balance of less than \$50,000.

(c) All loans receivable (including discounts) and accrued interest entered on the books of Alpena Banking Corporation and the Alpena Banking Subsidiaries arose out of bona fide arm's-length transactions and were made for good and valuable consideration in the ordinary course of Alpena Banking Corporation's or the appropriate Alpena Banking Subsidiary's respective business. To the Knowledge of Alpena Banking Corporation, the loans, discounts and the accrued interest reflected on the books of Alpena Banking Corporation and the Alpena Banking Subsidiaries are subject to no defenses, set-offs or counterclaims (including, without limitation, those afforded by usury or truth-in-lending laws), except as may be provided by bankruptcy, insolvency or similar laws affecting creditors' rights generally or by general principles of equity. All such loans are owned by Alpena Banking Corporation or the appropriate Alpena Banking Subsidiary free and clear of any liens.

(d) The notes and other evidences of indebtedness evidencing the loans described above, and all pledges, mortgages, deeds of trust and other collateral documents or security instruments relating thereto are, in all material respects, valid, true and genuine, and what they purport to be.

Section 3.17 Related Party Transactions.

Except as Previously Disclosed, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary is a party to any transaction (including any loan or other credit accommodation) with any Affiliate of Alpena Banking Corporation or any Alpena Banking Subsidiary. All such transactions (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other Persons, and (c) did not involve substantially more than the normal risk of collectability or present other unfavorable features (as such terms are used under Item 404 of SEC Regulation S-K promulgated under the Securities Act and the Exchange Act). No loan or credit accommodation to any Affiliate of Alpena Banking Corporation or any Alpena Banking Subsidiary is presently in default or, during the three-year period prior to the date of this Agreement, has been in default or has been restructured, modified or extended. To the Knowledge of Alpena Banking Corporation, neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has been notified that principal and interest with respect to any such loan or other credit accommodation will not be paid when due or that the loan grade classification accorded such loan or credit accommodation by Alpena Banking Corporation is inappropriate.

Section 3.18 Registration Obligations.

Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary is under any obligation, contingent or otherwise, which will survive the Effective Time by reason of any agreement to register any transaction involving any of its securities under the Securities Act.

Section 3.19 Risk Management Instruments.

Except as may be included in its loan documents with its customers, Alpena Banking Corporation and Alpena Bank have not entered into and do not maintain any material interest rate swaps, caps, floors, option agreements, futures and forward contracts and other similar risk management arrangements, whether entered into for Alpena Banking Corporation's own account, or for the account of one or more of Alpena Banking Corporation's Subsidiaries or their customers.

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Section 3.20 Fairness Opinion.

Alpena Banking Corporation has received a written opinion from RP Financial, LC. to the effect that, subject to the terms, conditions and qualifications set forth therein, as of the date hereof, the Merger Consideration to be received by the shareholders of Alpena Banking Corporation pursuant to this Agreement is fair to such shareholders from a financial point of view.

Section 3.21 Fiduciary Accounts.

Bank of Alpena and each of its Subsidiaries has properly administered all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws and regulations. Neither Alpena Banking Corporation nor any other Alpena Banking Subsidiary, and to the Knowledge of Alpena Banking Corporation, nor has any of their respective directors, officers or employees, committed any breach of trust with respect to any such fiduciary account and the records for each such fiduciary account.

Section 3.22 Intellectual Property.

Alpena Banking Corporation and each Alpena Banking Subsidiary owns or, to Alpena Banking Corporation's Knowledge, possesses valid and binding licenses and other rights (subject to expirations in accordance with their terms) to use all patents, copyrights, trade secrets, trade names, service marks and trademarks, which are material to the conduct of their business as currently conducted, each without payment, except for all license agreements under which license fees or other payments are due in the ordinary course of Alpena Banking Corporation's or each of Alpena Banking Corporation's Subsidiaries' business, and neither Alpena Banking Corporation nor any Alpena Banking Subsidiary has received any notice of conflict with respect thereto that asserts the rights of others. Alpena Banking Corporation and each Alpena Banking Subsidiary has performed all the material obligations required to be performed, and are not in default in any respect, under any contract, agreement, arrangement or commitment relating to any of the foregoing. To the Knowledge of Alpena Banking Corporation, the conduct of the business of Alpena Banking Corporation and each Alpena Banking Subsidiary as currently conducted or proposed to be conducted does not, in any material respect, infringe upon, dilute, misappropriate or otherwise violate any intellectual property owned or controlled by any third party.

Section 3.23 Labor Matters.

There are no labor or collective bargaining agreements to which Alpena Banking Corporation or any Alpena Banking Subsidiary is a party. To the Knowledge of Alpena Banking Corporation, there is no union organizing effort pending or threatened against Alpena Banking Corporation or any Alpena Banking Subsidiary. There is no labor strike, labor dispute (other than routine employee grievances that are not related to union employees), work slowdown, stoppage or lockout pending or, to the Knowledge of Alpena Banking Corporation, threatened against Alpena Banking Corporation or any Alpena Banking Subsidiary. There is no unfair labor practice or labor arbitration proceeding pending or, to the Knowledge of Alpena Banking Corporation, threatened against Alpena Banking Corporation or any Alpena Banking Subsidiary (other than routine employee grievances that are not related to union employees). Alpena Banking Corporation and each Alpena Banking Subsidiary is in compliance in all material respects with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and are not engaged in any unfair labor practice.

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*Section 3.24 Alpena Banking Corporation Information Supplied.*

The information relating to Alpena Banking Corporation and any Alpena Banking Subsidiary to be contained in the Proxy Statement-Prospectus, or furnished to First Federal Bancorp for inclusion in any other document filed with any Regulatory Authority or other Governmental Entity in connection herewith, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading.

*Section 3.25 No Dissenters Rights.*

Stockholders of Alpena Banking Corporation do not have dissenters' rights of appraisal or other similar rights under the MBCA in connection with the transactions contemplated by this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF FIRST FEDERAL BANCORP

Except as Previously Disclosed, First Federal Bancorp represents and warrants to Alpena Banking Corporation as follows:

*Section 4.01 Standard.*

Except as set forth in the following sentence, no representation or warranty of First Federal Bancorp contained in this Article IV (other than the representation and warranty contained in Section 4.08, which shall be true in all respects) shall be deemed untrue or incorrect, and First Federal Bancorp shall not be deemed to have breached a representation or warranty, as a consequence of the existence of any fact, circumstance or event unless such fact, circumstance or event, individually or taken together with all other facts, circumstances or events inconsistent with any paragraph of this Article IV, has had or reasonably would be expected to have a Material Adverse Effect, disregarding for these purposes (x) any qualification or exception for, or reference to, materiality in any such representation or warranty and (y) any use of the terms "material," "materially," "in all material respects," "Material Adverse Effect" or similar terms or phrases in any such representation or warranty. The foregoing standard shall not apply to representations and warranties contained in Sections 4.02 (other than Sections 4.02(d) and 4.02(e) and the last sentence of Section 4.02(b)), Section 4.03, and Section 4.04 (other than Section 4.04(b)(iii)), which shall be true and correct in all material respects.

Section 4.02 Organization.

(a) First Federal Bancorp is a corporation organized and validly existing under the laws of the State of Maryland, and is duly registered as a savings and loan holding company under the HOLA. First Federal Bancorp has full corporate power and authority to carry on its business as now conducted and is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed, qualified or in good standing would not have a Material Adverse Effect on First Federal Bancorp. Except as Previously Disclosed or pursuant to this Agreement, First Federal Bancorp does not own, or control, directly or indirectly, or have the right to acquire directly or indirectly, any equity interest in any corporation, limited liability company, association, partnership, joint venture or other entity.

(b) Except as Previously Disclosed and except for its Subsidiaries that are identified as First Federal Bank Subsidiaries, First Federal Bank does not possess, directly or indirectly, any material equity interest in any corporation, limited liability company, association, partnership, joint venture or other entity,

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except for the equity interests held in its investment portfolio, equity interests held by First Federal Bank in a fiduciary capacity, and equity interests held in connection with its lending activities. First Federal Bank owns all of the outstanding shares of capital stock of each First Federal Bank Subsidiary free and clear of all liens, security interests, pledges, charges, encumbrances, agreements and restrictions of any kind or nature. First Federal Bank is a savings bank duly organized and validly existing under the laws of the United States. The deposits of First Federal Bank are insured by the FDIC to the fullest extent permitted by law, and all premiums and assessments required to be paid in connection therewith have been paid when due. First Federal Bank is a member in good standing of the FHLB and owns the requisite amount of stock therein.

(c) The respective minute books of First Federal Bancorp and each First Federal Bancorp Subsidiary accurately record, in all material respects, all material corporate actions of their respective shareholders and boards of directors (including committees) through the date of this Agreement.

(d) Prior to the date of this Agreement, First Federal Bancorp has made available to Alpena Banking Corporation true and correct copies of the articles of incorporation/charters and bylaws of First Federal Bancorp and First Federal Bank.

Section 4.03 Capitalization.

(a) The authorized capital stock of First Federal Bancorp consists of twenty million (20,000,000) shares of common stock, \$0.01 par value ("First Federal Bancorp Common Stock"), and ten million (10,000,000) shares of Preferred Stock, \$0.01 par value (the "First Federal Bancorp Preferred Stock"). There are 2,884,049 shares of First Federal Bancorp Common Stock outstanding, all of which are validly issued, fully paid and nonassessable and none of which were issued in violation of any preemptive rights. There are no shares of First Federal Bancorp Preferred Stock issued and outstanding. There are 307,750 shares of First Federal Bancorp Common Stock held by First Federal Bancorp as treasury stock. Except for First Federal Bancorp Options, neither First Federal Bancorp nor any First Federal Bancorp Subsidiary has or is bound by any Right of any character relating to the purchase, sale, issuance or voting of, or right to receive dividends or other distributions on, any shares of First Federal Bancorp Common Stock, or any other security of First Federal Bancorp or any First Federal Bancorp Subsidiary, or any securities representing the right to vote, purchase or otherwise receive any shares of First Federal Bancorp Common Stock or any other security of First Federal Bancorp.

(b) There are one thousand (1,000) shares of First Federal Bank common stock outstanding, all of which are validly issued, fully paid and nonassessable and none of which were issued in violation of any preemptive rights, and all of which are owned by First Federal Bancorp free and clear of any liens, encumbrances, charges, restrictions or rights of third parties of any kind whatsoever.

Section 4.04 Authority; No Violation.

(a) First Federal Bancorp has full power and authority to execute and deliver this Agreement, perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by First Federal Bancorp and the completion by First Federal Bancorp of the transactions contemplated hereby have been duly and validly approved by the requisite vote of the Board of Directors of First Federal Bancorp and, except for approval from the shareholders of First Federal Bancorp and approval by First Federal Bancorp as the sole shareholder of First Federal Bank, no other corporate proceedings on the part of First Federal Bancorp are necessary to complete the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by First Federal Bancorp and constitutes the valid and binding obligations of First Federal Bancorp, enforceable against

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First Federal Bancorp in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity.

(b) Subject to the receipt of approvals from the Regulatory Authorities and the compliance by First Federal Bancorp and Alpena Banking Corporation with any conditions contained therein (including the expiration of any applicable waiting period),

(A) the execution and delivery of this Agreement by First Federal Bancorp,

(B) the consummation of the transactions contemplated hereby, and

(C) compliance by First Federal Bancorp with any of the terms or provisions hereof,

will not: (i) conflict with or result in a material breach of any provision of the articles of incorporation or bylaws of First Federal Bancorp or the articles of incorporation/charter of any First Federal Subsidiary; (ii) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to First Federal Bancorp or any of the properties or assets of First Federal Bancorp or any First Federal Subsidiary; or (iii) violate, conflict with, result in a breach of any provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of, accelerate the performance required by, or result in a right of termination or acceleration or the creation of any lien, security interest, charge or other encumbrance upon any of the properties or assets of First Federal Bancorp or any First Federal Subsidiary under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other investment or obligation to which First Federal Bancorp or any First Federal Subsidiary is a party, or by which they or any of their respective properties or assets may be bound or affected, except in the case of clause (iii) above, for violations which, individually or in the aggregate, would not have a Material Adverse Effect on First Federal Bancorp.

(c) The board of directors of First Federal Bancorp, by resolution duly adopted by the requisite vote of the board of directors at a meeting duly called and held, has (x) determined that this Agreement, the Merger and the other transactions contemplated hereby are fair to and in the best interests of First Federal Bancorp and its shareholders, and (y) recommended that the shareholders of First Federal Bancorp approve this Agreement and directed that such matter be submitted for consideration by the First Federal Bancorp shareholders at the First Federal Bancorp Shareholders Meeting.

(d) The affirmative vote of the majority of the votes cast at a meeting of the shareholders of First Federal Bancorp Common Stock is the only vote of holders of any class of First Federal Bancorp's capital stock necessary to adopt and approve this Agreement and the transactions contemplated hereby.

Section 4.05 Consents.

Except as Previously Disclosed and for (a) filings with Regulatory Authorities, the receipt of the Regulatory Approvals, the expiration of any waiting periods, and compliance with any conditions contained therein, (b) the filing of the Articles of Merger with the Maryland Department and the Certificate of Merger with the Michigan Director, (c) the filing with the SEC of (i) the Merger Registration Statement and (ii) such reports under Sections 13(a), 13(d), 13(g) and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby and the obtaining from the SEC of such orders as may be required in connection therewith, (d) the filing with the Nasdaq Stock Market of a notification of the listing of the shares of First Federal Bancorp Common Stock to be issued in the Merger, (e) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of various states in connection with the issuance of shares of First Federal Bancorp Common Stock

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pursuant to this Agreement and (f) the approval of this Agreement by the requisite votes of the shareholders of Alpena Banking Corporation and First Federal Bancorp, no consents, waivers or approvals of, or filings or registrations with, any Governmental Entity are necessary, and, to the Knowledge of First Federal Bancorp, no consents, waivers or approvals of, or filings or registrations with, any other third parties are necessary, in connection with (x) the execution and delivery of this Agreement by First Federal Bancorp, and (y) the completion of the Merger by First Federal Bancorp. First Federal Bancorp has no Knowledge of any reason pertaining to First Federal Bancorp why any Regulatory Approvals or other required consents or approvals will not be received.

Section 4.06 Financial Statements and Securities Documents.

(a) The Annual Reports on Form 10-K for the years ended December 31, 2012 and December 31, 2011 filed with the SEC by First Federal Bancorp, and all other reports, registration statements, definitive proxy statements or information statements filed by First Federal Bancorp subsequent to December 31, 2010 under the Securities Act, or under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act or under the securities regulations of the SEC (the “First Federal Bancorp Securities Documents”), in the form filed with the SEC as of the date filed or, if amended or supplemented as of the date amended or supplemented, (A) complied in all material respects as to form with the applicable requirements under the Securities Act or the Exchange Act, as the case may be, and (B) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The First Federal Financials included or incorporated by reference into any such filing (including the related notes and schedules thereto) fairly present in each case in all material respects (subject in the case of the unaudited interim statements to normal year-end adjustments) the consolidated financial position, results of operations and cash flows of First Federal Bancorp and the First Federal Subsidiaries on a consolidated basis as of and for the respective periods ending on the dates thereof, in accordance with GAAP during the periods involved, except as indicated in the notes thereto, or in the case of unaudited statements, as permitted by Form 10-Q.

(b) First Federal Bancorp has made available to Alpena Banking Corporation true, correct and complete copies of all written correspondence between the SEC and any of its subsidiaries occurring since December 31, 2011 and prior to the date hereof. There are no unresolved written comments received from the SEC Staff with respect to any of First Federal Bancorp Securities Documents. The books and records of First Federal Bancorp and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions.

(c) First Federal Bancorp and each of its Subsidiaries have timely filed all reports, forms, schedules, registrations, statements and other documents, together with any amendments required to be made with respect thereto, that they were required to file since December 31, 2010 with any Governmental Entity (other than the SEC) and have paid all fees and assessments due and payable in connection therewith.

(d) First Federal Bancorp (x) has implemented and maintains a system of internal control over financial reporting (as required by Rule 13a-15(a) of the Exchange Act) that is designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of its financial statements for external purposes in accordance with GAAP and to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and to maintain accountability for assets and (iii) access to assets is permitted only in accordance with management's general or specific authorization, (y) has implemented and maintains disclosure

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controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to ensure that material information relating to First Federal Bancorp, including its consolidated Subsidiaries, is made known to the chief executive officer and the chief financial officer of First Federal Bancorp by others within those entities, and (z) has disclosed, based on its most recent evaluation prior to the date hereof, to First Federal Bancorp's outside auditors and the audit committee of First Federal Bancorp's Board of Directors (i) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) which are reasonably likely to adversely affect First Federal Bancorp's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in First Federal Bancorp's internal control over financial reporting. These disclosures (if any) were made in writing by management to First Federal Bancorp's auditors and audit committee and a copy has previously been made available to Alpena Banking Corporation. First Federal Bancorp's management has completed an assessment of the effectiveness of its internal control over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for the year ended December 31, 2011, and such assessment concluded that such controls were effective.

(e) Since December 31, 2010, (A) neither First Federal Bancorp nor any of its Subsidiaries nor, to its Knowledge, any director, officer, employee, auditor, accountant or representative of it or any of its Subsidiaries has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of it or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that it or any of its Subsidiaries has engaged in questionable accounting or auditing practices, and (B) no attorney representing it or any of its Subsidiaries, whether or not employed by it or any of its Subsidiaries, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by it or any of its officers, directors, employees or agents to its board of directors or any committee thereof or to any of its directors or officers.

(f) Since December 31, 2012, First Federal Bancorp and its Subsidiaries have not incurred any liability other than in the ordinary course of business consistent with past practice.

(g) The allowance for loan losses reflected in First Federal Bancorp's audited statement of condition at December 31, 2012 was, and the allowance for loan losses shown on the balance sheets in the First Federal Bancorp Securities Documents for periods ending after December 31, 2012 was or will be, adequate, as of the date thereof, under GAAP.

Section 4.07 Taxes.

First Federal Bancorp and each First Federal Subsidiary has duly filed all Federal, state and material local tax returns required to be filed by or with respect to it on or prior to the Closing Date, taking into account any extensions (all such returns, to the Knowledge of First Federal Bancorp, being accurate and correct in all material respects) and has duly

paid or made provisions for the payment of all material Federal, state and local taxes that have been incurred by or are due or claimed to be due from it by any taxing authority or pursuant to any written tax sharing agreement on or prior to the Closing Date other than taxes or other charges which (i) are not delinquent, (ii) are being contested in good faith, or (iii) have not yet been fully determined. Except as Previously Disclosed, as of the date of this Agreement, First Federal Bancorp has not received written notice of, and to the Knowledge of First Federal Bancorp, there is no audit examination, deficiency assessment, tax investigation or refund litigation with respect to any taxes of First Federal Bancorp or any First Federal Subsidiary, and no written claim has been made by any authority in a jurisdiction where First Federal Bancorp or any First Federal Subsidiary does not file tax returns that First Federal Bancorp or any First Federal Subsidiary is subject to taxation in that jurisdiction. Neither First

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Federal Bancorp nor any First Federal Subsidiary has executed an extension or waiver of any statute of limitations on the assessment or collection of any material tax due that is currently in effect. First Federal Bancorp and each First Federal Subsidiary has withheld and paid all taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party, and First Federal Bancorp and each First Federal Subsidiary, to the Knowledge of First Federal Bancorp, has timely complied with all applicable information reporting requirements under Part III, Subchapter A of Chapter 61 of the IRC and similar applicable state and local information reporting requirements.

Section 4.08 No Material Adverse Effect.

First Federal Bancorp has not suffered any Material Adverse Effect since December 31, 2012 and no event has occurred or circumstance arisen since that date which, in the aggregate, has had or is reasonably likely to have a Material Adverse Effect on First Federal Bancorp.

Section 4.09 Material Contracts; Leases; Defaults.

(a) Except as Previously Disclosed, neither First Federal Bancorp nor any First Federal Subsidiary is a party to or subject to: (i) any employment, consulting or severance contract or material arrangement with any past or present officer, director or employee, except for “at will” arrangements; (ii) any plan, material arrangement or contract providing for bonuses, pensions, options, deferred compensation, retirement payments, profit sharing or similar material arrangements for or with any past or present officers, directors or employees; (iii) any collective bargaining agreement with any labor union relating to employees; (iv) any agreement which by its terms limits the payment of dividends by First Federal Bancorp or any First Federal Subsidiary; (v) any instrument evidencing or related to material indebtedness for borrowed money whether directly or indirectly, by way of purchase money obligation, conditional sale, lease purchase, guaranty or otherwise, in respect of which First Federal Bancorp or any First Federal Subsidiary is an obligor to any person, which instrument evidences or relates to indebtedness other than deposits, repurchase agreements, bankers’ acceptances, and “treasury tax and loan” accounts and transactions in “federal funds” in each case established in the ordinary course of business consistent with past practice, or which contains financial covenants or other restrictions (other than those relating to the payment of principal and interest when due) which would be applicable on or after the Closing Date to First Federal Bancorp or any First Federal Bancorp Subsidiary; (vi) any other agreement, written or oral, that obligates First Federal Bancorp or any First Federal Subsidiary for the payment of more than \$50,000 annually or for the payment of more than \$100,000 over its remaining term, which is not terminable without cause on 60 days’ or less notice without penalty or payment (other than agreements for commercially available “off-the-shelf” software), or (vii) any agreement (other than this Agreement), contract, arrangement, commitment or understanding (whether written or oral) that restricts or limits in any material way the conduct of business by First Federal Bancorp or any First Federal Subsidiary (it being understood that any non-compete or similar provision shall be deemed material, but any limitation on the scope of any license granted under any such agreement shall not be deemed material).

(b) Subject to any consents that may be required as a result of the transactions contemplated by this Agreement, to its Knowledge, neither First Federal Bancorp nor any First Federal Subsidiary is in default in any material respect under any material contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business, or operations may be bound or affected, or under which it or its assets, business, or operations receive benefits, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default.

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(c) Except as Previously Disclosed, no party to any Material Contract will have the right to terminate any or all of the provisions of any such Material Contract as a result of the execution of, and the consummation of the transactions contemplated by, this Agreement.

(d) Since December 31, 2012, through and including the date of this Agreement, and except as Previously Disclosed, neither First Federal Bancorp nor any First Federal Subsidiary has (i) except for (A) normal increases for employees made in the ordinary course of business consistent with past practice, or (B) as required by applicable law, increased the wages, salaries, compensation, pension, or other fringe benefits or perquisites payable to any executive officer, employee, or director, granted any severance or termination pay, entered into any contract to make or grant any severance or termination pay (except as required under the terms of agreements or severance plans and as Previously Disclosed by First Federal Bancorp), or paid any bonus other than the customary year-end bonuses in amounts consistent with past practice, (ii) granted any options to purchase shares of First Federal Bancorp Common Stock or Preferred Stock, or any right to acquire any shares of its capital stock to any officer, director or employee, (iii) increased or established any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, (iv) made any material election for Federal or state income tax purposes, (v) made any material change in the credit policies or procedures of First Federal Bancorp or any of the First Federal Subsidiaries, the effect of which was or is to make any such policy or procedure less restrictive in any material respect, (vi) made any material acquisition or disposition of any assets or properties, or any contract for any such acquisition or disposition entered into other than loans and loan commitments, (vii) entered into any lease of real or personal property requiring annual payments in excess of \$50,000 other than in connection with foreclosed property or in the ordinary course of business consistent with past practice, (viii) changed any accounting methods, principles or practices of First Federal Bancorp or its Subsidiaries affecting its assets, liabilities or businesses, including any reserving, renewal or residual method, practice or policy or (ix) suffered any strike, work stoppage, slow-down, or other labor disturbance.

Section 4.10 Ownership of Property; Insurance Coverage.

(a) First Federal Bancorp and each First Federal Subsidiary has good and, as to real property, marketable title to all material assets and properties owned by it or each First Federal Subsidiary in the conduct of its businesses, whether such assets and properties are real or personal, tangible or intangible, including assets and property reflected in the balance sheets contained in the First Federal Financials or acquired subsequent thereto (except to the extent that such assets and properties have been disposed of in the ordinary course of business, since the date of such balance sheets), subject to no material encumbrances, liens, mortgages, security interests or pledges, except (i) those items which secure liabilities for public or statutory obligations or any discount with, inter-bank credit facilities, or any transaction by a First Federal Subsidiary acting in a fiduciary capacity, (ii) statutory liens for amounts not yet delinquent or that are being contested in good faith, (iii) non-monetary liens affecting real property that do not adversely affect the value or use of such real property, and (iv) those described and reflected in the First Federal Financials. First Federal Bancorp and the First Federal Subsidiaries, as lessee, have the right under valid and existing leases of real and personal properties used by First Federal Bancorp and its Subsidiaries in the conduct of their businesses to occupy or use all such properties as presently occupied and used by each of them.

(b) With respect to all material agreements pursuant to which First Federal Bancorp or any First Federal Subsidiary has purchased securities subject to an agreement to resell, if any, First Federal Bancorp or such First Federal Subsidiary, as the case may be, has a lien or security interest (which to First Federal Bancorp's Knowledge is a valid, perfected first lien) in the securities or other collateral securing the repurchase agreement, and the value of such collateral equals or exceeds the amount of the debt secured thereby.

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(c) First Federal Bancorp and each First Federal Subsidiary currently maintain insurance considered by each of them to be reasonable for their respective operations. Except as Previously Disclosed, neither First Federal Bancorp nor any First Federal Subsidiary, has received notice from any insurance carrier since December 31, 2010 that (i) such insurance will be canceled or that coverage thereunder will be reduced or eliminated, or (ii) premium costs (other than with respect to health or disability insurance) with respect to such policies of insurance will be substantially increased. Except as Previously Disclosed, there are presently no material claims pending under such policies of insurance and no notices have been given by First Federal Bancorp or any First Federal Subsidiary under such policies (other than with respect to health or disability insurance). All such insurance is valid and enforceable and in full force and effect, and since December 31, 2010, First Federal Bancorp and each First Federal Subsidiary has received each type of insurance coverage for which it has applied and during such periods has not been denied indemnification for any material claims submitted under any of its insurance policies.

Section 4.11 Legal Proceedings.

Neither First Federal Bancorp nor any First Federal Bancorp Subsidiary is a party to any, and there are no pending or, to the Knowledge of First Federal Bancorp, threatened legal, administrative, arbitration or other proceedings, claims (whether asserted or unasserted), actions or governmental investigations or inquiries of any nature (i) against First Federal Bancorp or any First Federal Bancorp Subsidiary, (ii) to which First Federal Bancorp or any First Federal Bancorp Subsidiary's assets are or may be subject, (iii) challenging the validity or propriety of any of the transactions contemplated by this Agreement, or (iv) which would reasonably be expected to adversely affect the ability of First Federal Bancorp to perform under this Agreement, except as to (i) and (ii) above, for any proceeding, claim, action, investigation or inquiry which, if adversely determined, individually or in the aggregate, would not be reasonably expected to have a Material Adverse Effect on First Federal Bancorp.

Section 4.12 Compliance With Applicable Law.

(a) Except where noncompliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on First Federal Bancorp, to First Federal Bancorp's knowledge, each of First Federal Bancorp and each First Federal Bancorp Subsidiary is in compliance in all material respects with all applicable Federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable to it, its properties, assets and deposits, its business, and its conduct of business and its relationship with its employees, including, without limitation, the Bank Secrecy Act, the USA PATRIOT Act, the Community Reinvestment Act of 1977, the Home Mortgage Disclosure Act, the Equal Credit Opportunity Act, the Fair Housing Act and all other applicable fair lending laws and other laws relating to discriminatory business practices, and neither First Federal Bancorp nor any First Federal Bancorp Subsidiary has received any written notice to the contrary. The Board of Directors of First Federal Bank has adopted and First Federal Bank has implemented an anti-money laundering program that contains adequate and appropriate customer identification verification procedures that has not been deemed ineffective by any Governmental Entity and that meets the requirements of Sections 352 and 326 of the USA PATRIOT Act and the regulations thereunder.

(b) Each of First Federal Bancorp and each First Federal Bancorp Subsidiary has all material permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Entities and Regulatory Authorities that are required to allow it to own or lease its properties and to conduct its business as presently conducted except where the failure to hold such permits, licenses, authorizations, orders or approvals, or the failure to make such filings, applications or registrations would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on First Federal Bancorp; all such permits, licenses, certificates of authority, orders and

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approvals are in full force and effect and, to the Knowledge of First Federal Bancorp, no suspension or cancellation of any such permit, license, certificate, order or approval is threatened or will result from the consummation of the transactions contemplated by this Agreement, subject to obtaining the Regulatory Approvals.

(c) Except as Previously Disclosed, since December 31, 2010, neither First Federal Bancorp nor any First Federal Bancorp Subsidiary has received any written notification or, to First Federal Bancorp's Knowledge, any other communication from any Regulatory Authority (i) asserting that First Federal Bancorp or any First Federal Bancorp Subsidiary is not in material compliance with any of the statutes, regulations or ordinances which that Regulatory Authority enforces; (ii) requiring or threatening to require First Federal Bancorp or any First Federal Bancorp Subsidiary, or indicating that First Federal Bancorp or any First Federal Bancorp Subsidiary may be required, to enter into a cease and desist order, agreement or memorandum of understanding or any other agreement with any Federal or state governmental agency or authority that is charged with the supervision or regulation of banks or engages in the insurance of bank deposits; or (iii) directing, restricting or limiting, or purporting to direct, restrict or limit, in any manner the operations of First Federal Bancorp or any First Federal Bancorp Subsidiary, including without limitation any restriction on the payment of dividends (any such notice, communication, memorandum, agreement or order described in this sentence is hereinafter referred to as an "First Federal Bancorp Regulatory Agreement"). Neither First Federal Bancorp nor any First Federal Bancorp Subsidiary has consented to or entered into any First Federal Bancorp Regulatory Agreement that is currently in effect. The most recent regulatory rating given to First Federal Bank as to compliance with the CRA is satisfactory or better.

(d) First Federal Bancorp is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the Nasdaq.

Section 4.13 Employee Benefit Plans.

(a) Neither First Federal Bancorp nor any Neither First Federal Subsidiary has any commitment to create any additional bonus, incentive, deferred compensation, supplemental executive retirement plans, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, stock appreciation, phantom stock, severance, welfare benefit plans (including paid time off policies and other material benefit policies and procedures), fringe benefit plans, employment, consulting, settlement and change in control agreements or any other material benefit practice, policy and arrangement (the "First Federal Bancorp Compensation and Benefit Plans") or to materially modify, change or renew any existing First Federal Bancorp Compensation and Benefit Plan (any modification or change that increases the cost of such plans would be deemed material), except as required to maintain the qualified status thereof. First Federal Bancorp has made available to Alpena Banking Corporation true and correct copies of the First Federal Bancorp Compensation and Benefit Plans.

(b) To the Knowledge of First Federal Bancorp, each First Federal Bancorp Compensation and Benefit Plan has been operated and administered in all material respects in accordance with its terms and with applicable law,

including, but not limited to, COBRA, HIPAA and any regulations or rules promulgated thereunder, and all material filings, disclosures and notices required by ERISA, the IRC, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act, COBRA and HIPAA and any other applicable law have been timely made or any interest, fines, penalties or other impositions for late filings have been paid in full. Each First Federal Bancorp Compensation and Benefit Plan that is an “employee pension benefit plan” within the meaning of Section 3(2) of ERISA and that is intended to be qualified under Section 401(a) of the IRC has received a favorable determination letter from the IRS or is entitled to rely on a determination letter issued to the sponsor of a master or prototype plan, and First Federal Bancorp is not aware of any circumstances that are reasonably likely to result in revocation of any

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such favorable determination letter. There is no material pending or, to the Knowledge of First Federal Bancorp, threatened action, suit or claim relating to any of the First Federal Bancorp Compensation and Benefit Plans (other than routine claims for benefits). Neither First Federal Bancorp nor any First Federal Subsidiary has engaged in a transaction, or omitted to take any action, with respect to any First Federal Bancorp Compensation and Benefit Plan that would reasonably be expected to subject First Federal Bancorp or any First Federal Subsidiary to a material unpaid tax or penalty imposed by either Chapter 43 of the IRC or Sections 409 or 502 of ERISA.

(c) No liability under Title IV of ERISA has been incurred by First Federal Bancorp or any First Federal Subsidiary with respect to any First Federal Bancorp Compensation and Benefit Plan that is subject to Title IV of ERISA (“First Federal Bancorp Defined Benefit Plan”) currently or formerly maintained by First Federal Bancorp or any entity that is considered one employer with First Federal Bancorp under Section 4001(b)(1) of ERISA or Section 414 of the IRC (a “First Federal Bancorp ERISA Affiliate”) since the effective date of ERISA that has not been satisfied in full, and no condition exists that presents a material risk to First Federal Bancorp or any First Federal Bancorp ERISA Affiliate of incurring a liability under such Title. No First Federal Bancorp Defined Benefit Plan had an “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, as of the last day of the end of the most recent plan year ending prior to the date hereof. Except as Previously Disclosed, the fair market value of the assets of each First Federal Bancorp Defined Benefit Plan exceeds the present value of the “benefit liabilities” (as defined in Section 4001(a)(16) of ERISA) under such First Federal Bancorp Defined Benefit Plan as of the end of the most recent plan year with respect to the respective First Federal Bancorp Defined Benefit Plan ending prior to the date hereof, calculated on the basis of the actuarial assumptions used in the most recent actuarial valuation for such First Federal Bancorp Defined Benefit Plan as of the date hereof; there is not currently pending with the PBGC any filing with respect to any reportable event under Section 4043 of ERISA nor has any reportable event occurred as to which a filing is required and has not been made (other than as might be required with respect to this Agreement and the transactions contemplated thereby). Neither First Federal Bancorp nor any First Federal Bancorp ERISA Affiliate has contributed to any “multiemployer plan,” as defined in Section 3(37) of ERISA. Neither First Federal Bancorp, nor any First Federal Bancorp ERISA Affiliate, nor any First Federal Bancorp Compensation and Benefit Plan, including any First Federal Bancorp Defined Benefit Plan, nor any trust created thereunder, nor any trustee or administrator thereof, has engaged in a transaction in connection with which First Federal Bancorp, any First Federal Bancorp ERISA Affiliate, and any First Federal Bancorp Compensation and Benefit Plan, including any First Federal Bancorp Defined Benefit Plan or any such trust or any trustee or administrator thereof, could reasonably be expected to be subject to either a civil liability or penalty pursuant to Section 409, 502(i) or 502(l) of ERISA or a tax imposed pursuant to Chapter 43 of the IRC.

(d) All material contributions required to be made under the terms of any First Federal Bancorp Compensation and Benefit Plan have been timely made, and all anticipated contributions and funding obligations are accrued on First Federal Bancorp’s consolidated financial statements to the extent required by GAAP. First Federal Bancorp and each First Federal Subsidiary has expensed and accrued as a liability the present value of future benefits under each applicable First Federal Bancorp Compensation and Benefit Plan for financial reporting purposes to the extent required by GAAP.

(e) Except as Previously Disclosed, neither First Federal Bancorp nor any First Federal Subsidiary has any obligations to provide retiree health, life insurance, or disability insurance, or any retiree death benefits under any

First Federal Bancorp Compensation and Benefit Plan, other than benefits mandated by COBRA. There has been no communication to employees by First Federal Bancorp or any First Federal Subsidiary that would reasonably be expected to promise or guarantee such employees retiree health, life insurance, or disability insurance, or any retiree death benefits.

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(f) First Federal Bancorp and its Subsidiaries do not maintain any First Federal Bancorp Corporation Compensation and Benefit Plans covering employees who are not United States residents.

(g) With respect to each First Federal Bancorp Compensation and Benefit Plan, if applicable, First Federal Bancorp has provided or made available to Alpena Banking Corporation copies of the: (A) plan documents, trust instruments and insurance contracts; (B) three most recent IRS Forms 5500; (C) three most recent actuarial reports and financial statements; (D) most recent summary plan description; (E) most recent determination letter issued by the IRS; (F) any Form 5310 or Form 5330 filed with the IRS within the last three years; (G) most recent nondiscrimination tests performed under ERISA and the IRC (including 401(k) and 401(m) tests); and (H) PBGC Form 500 and 501 filings, along with the Notice of Intent to Terminate, ERISA Section 204(h) Notice, Notice of Plan Benefits, and all other documentation related to the termination of a First Federal Bancorp Pension Plan.

(h) The consummation of the Merger or the Bank Merger will not, directly or indirectly (including, without limitation, as a result of any termination of employment or service at any time prior to or following the Effective Time) (A) entitle any employee, consultant or director to any payment or benefit (including severance pay, change in control benefit, or similar compensation) or any increase in compensation, (B) entitle any employee or independent contractor to terminate any plan, agreement or arrangement without cause and continue to accrue future benefits thereunder, or result in the vesting or acceleration of any benefits under any First Federal Bancorp Compensation and Benefit Plan, (C) result in any material increase in benefits payable under any First Federal Bancorp Compensation and Benefit Plan, or (D) entitle any current or former employee, director or independent contractor of First Federal Bancorp or any First Federal Subsidiary to any actual or deemed payment (or benefit) which could constitute a “parachute payment” (as such term is defined in Section 280G of the IRC).

(i) Neither First Federal Bancorp nor any First Federal Subsidiary maintains any compensation plans, programs or arrangements under which any payment is reasonably likely to become non-deductible, in whole or in part, for tax reporting purposes as a result of the limitations under Section 162(m) of the IRC and the regulations thereunder.

(j) Except as Previously Disclosed, there are no stock options, stock appreciation or similar rights, earned dividends or dividend equivalents, or shares of restricted stock, outstanding under any of the First Federal Bancorp Compensation and Benefit Plans or otherwise as of the date hereof.

Section 4.14 Brokers, Finders and Financial Advisors.

Neither First Federal Bancorp nor any First Federal Subsidiary, nor any of their respective officers, directors, employees or agents, has employed any broker, finder or financial advisor in connection with the transactions contemplated by this Agreement, or incurred any liability or commitment for any fees or commissions to any such

person in connection with the transactions contemplated by this Agreement except for the retention of Austin Associates LLC by First Federal Bancorp and the fee payable pursuant thereto. First Federal Bancorp has Previously Disclosed a true and correct copy of the engagement agreement with Austin Associates LLC for its services rendered to First Federal Bancorp in connection with the Merger and transactions contemplated by this Agreement.

Section 4.15 Loan Portfolio.

(a) The allowance for loan losses reflected in First Federal Bancorp's audited consolidated balance sheet at December 31, 2012 was, and the allowance for loan losses shown on the balance sheets in filings made by First Federal Bancorp of any First Federal Subsidiary with any Governmental Entity or

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Regulatory Authority for periods ending after December 31, 2012 was or will be, adequate, as of the date thereof, under GAAP.

(b) First Federal Bancorp has Previously Disclosed a list setting forth, as of December 31, 2013, by account, of: (A) all loans (including loan participations) of First Federal Bancorp or any other First Federal Subsidiary that have been accelerated during the past twelve months; (B) all loan commitments or lines of credit of First Federal Bancorp or any other First Federal Subsidiary which have been terminated by First Federal Bancorp or any other First Federal Subsidiary during the past twelve months by reason of a default or adverse developments in the condition of the borrower or other events or circumstances affecting the credit of the borrower; (C) each borrower, customer or other party which has notified First Federal Bancorp or any other First Federal Subsidiary during the three years preceding the date of this Agreement, or has asserted against First Federal Bancorp or any other First Federal Subsidiary, in each case in writing, any "lender liability" or similar claim, and, to the Knowledge of First Federal Bancorp, each borrower, customer or other party which has given First Federal Bancorp or any other First Federal Subsidiary any oral notification of, or orally asserted to or against First Federal Bancorp or any other First Federal Subsidiary, any such claim; (D) all loans (1) that are contractually past due 90 days or more in the payment of principal and/or interest, (2) that are on non-accrual status, (3) that are as of the date of this Agreement classified as "substandard," "doubtful," "loss," "classified," "criticized," "credit risk assets," "concerned loans," "watch list" or "special mention" (or words of similar import) First Federal Bancorp and any First Federal Subsidiary, or any applicable Regulatory Authority, (4) as to which a reasonable doubt exists as to the timely future collectability of principal and/or interest, whether or not interest is still accruing or the loans are less than 90 days past due, (5) where, during the past three years, the interest rate terms have been reduced and/or the maturity dates have been extended subsequent to the agreement under which the loan was originally created due to concerns regarding the borrower's ability to pay in accordance with such initial terms, (6) where a specific reserve allocation exists in connection therewith or (7) that are required to be accounted for as a troubled debt restructuring in accordance with Accounting Standards Codification 310-40; and (E) all assets classified by First Federal Bank or any First Federal Subsidiary as real estate acquired through foreclosure or in lieu of foreclosure, including in-substance foreclosures, and all other assets currently held that were acquired through foreclosure or in lieu of foreclosure. The foregoing excludes any individual loan with a principal balance of less than \$50,000.

(c) All loans receivable (including discounts) and accrued interest entered on the books of First Federal Bancorp and the First Federal Subsidiaries arose out of bona fide arm's-length transactions and were made for good and valuable consideration in the ordinary course of First Federal Bancorp's or the appropriate First Federal Subsidiary's respective business. To the Knowledge of First Federal Bancorp, the loans, discounts and the accrued interest reflected on the books of First Federal Bancorp and the First Federal Subsidiaries are subject to no defenses, set-offs or counterclaims (including, without limitation, those afforded by usury or truth-in-lending laws), except as may be provided by bankruptcy, insolvency or similar laws affecting creditors' rights generally or by general principles of equity. All such loans are owned by First Federal Bancorp or the appropriate First Federal Subsidiary free and clear of any liens.

(d) The notes and other evidences of indebtedness evidencing the loans described above, and all pledges, mortgages, deeds of trust and other collateral documents or security instruments relating thereto are, in all material respects, valid, true and genuine, and what they purport to be.

Section 4.16 First Federal Bancorp Common Stock.

The shares of First Federal Bancorp Common Stock to be issued as Merger Consideration pursuant to this Agreement, when issued in accordance with the terms of this Agreement, will be duly authorized, validly issued, fully paid and non-assessable and subject to no preemptive rights.

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Section 4.17 First Federal Bancorp Information.

The information relating to First Federal Bancorp and any First Federal Bancorp Subsidiary to be contained in the Proxy Statement-Prospectus, or in any other document filed with any Regulatory Authority or other Governmental Entity in connection herewith, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading. The Proxy Statement-Prospectus will comply with the provisions of the Exchange Act and the rules and regulations thereunder and the provisions of the Securities Act and the rules and regulations thereunder, except that no representation or warranty is made by First Federal Bancorp with respect to statements made or incorporated by reference therein based on information supplied by Alpena Banking Corporation specifically for inclusion or incorporation by reference in the Proxy Statement-Prospectus.

Section 4.18 Environmental Matters.

(a) With respect to First Federal Bancorp and each First Federal Subsidiary:

(i) To the Knowledge of First Federal Bancorp, neither the conduct nor operation of its business nor any condition of any property currently or previously owned or operated by it, results or resulted in a violation of any Environmental Laws that is reasonably likely to impose a material liability (including a material remediation obligation) upon First Federal Bancorp or any First Federal Subsidiary. Except as Previously Disclosed, to the Knowledge of First Federal Bancorp, no condition exists or event has occurred with respect to First Federal Bancorp or any First Federal Subsidiary or any owned or operated property that is reasonably likely to result in any material liability to First Federal Bancorp or any First Federal Subsidiary by reason of any Environmental Laws. Neither First Federal Bancorp nor any First Federal Subsidiary during the past five years has received any written notice from any Person or Governmental Entity that First Federal Bancorp or any First Federal Subsidiary or the operation or condition of any property ever owned or operated by First Federal Bancorp or any First Federal Bancorp Subsidiary (including Participation Facilities) is currently in violation of or otherwise is alleged to have liability under any Environmental Laws or relating to Materials of Environmental Concern (including, but not limited to, responsibility (or potential responsibility) for the cleanup or other remediation of any Materials of Environmental Concern at, on, beneath, or originating from any such property) for which a material liability is reasonably likely to be imposed upon First Federal Bancorp or any First Federal Subsidiary;

(ii) There is no suit, claim, action, demand, executive or administrative order, directive, investigation or proceeding pending or, to the First Federal Bancorp's Knowledge, threatened, before any court, governmental agency or other forum against First Federal Bancorp or any First Federal Subsidiary (x) for alleged noncompliance (including by any predecessor) with, or liability under, any Environmental Law or (y) relating to the presence of or Release into the environment of any Materials of Environmental Concern, whether or not occurring at or on a site owned, leased or operated by any of the First Federal Bancorp or any First Federal Subsidiary.

(iii) Except as Previously Disclosed, to First Federal Bancorp's Knowledge, there are no underground storage tanks on, in or under any properties owned or operated by First Federal Bancorp or any of the First Federal Bancorp Subsidiaries, and to First Federal Bancorp's Knowledge, no underground storage tanks have been closed or removed from any properties owned or operated by First Federal Bancorp or any of the First Federal Bancorp Subsidiaries or any Participation Facility except in compliance with Environmental Laws in all material respects; and

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(iv) Except as Previously Disclosed, to the Knowledge of First Federal Bancorp, no condition exists on any property for which First Federal Bancorp holds a lien, that results or resulted in a material violation of Environmental Laws or creates a material liability under Environmental Law that is reasonably likely to impose a material liability (including a material remediation obligation) upon First Federal Bancorp or any First Federal Subsidiary.

(b) “Participation Facility” means any facility in which First Federal Bancorp or its Subsidiaries participates in the management (as that term is defined under CERCLA), whether as a fiduciary, lender in control of the facility, owner or operator.

Section 4.19 Risk Management Instruments.

Except as may be included in its loan documents with its customers, First Federal Bancorp and First Federal Bank have not entered into and do not maintain any material interest rate swaps, caps, floors, option agreements, futures and forward contracts and other similar risk management arrangements, whether entered into for First Federal Bancorp’s own account, or for the account of one or more of First Federal Bancorp’s Subsidiaries or their customers.

Section 4.20 Fiduciary Accounts.

First Federal Bank and each of its Subsidiaries has properly administered all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws and regulations. Neither First Federal Bancorp nor any First Federal Subsidiary, and to the Knowledge of First Federal Bancorp, nor has any of their respective directors, officers or employees, committed any breach of trust with respect to any such fiduciary account and the records for each such fiduciary account.

Section 4.21 Intellectual Property.

First Federal Bancorp and each First Federal Subsidiary owns or, to First Federal Bancorp’s Knowledge, possesses valid and binding licenses and other rights (subject to expirations in accordance with their terms) to use all patents, copyrights, trade secrets, trade names, service marks and trademarks, which are material to the conduct of their business as currently conducted, each without payment, except for all license agreements under which license fees or other payments are due in the ordinary course of Federal Bancorp’s or each of First Federal Bancorp’s Subsidiaries’ business, and neither First Federal Bancorp nor any Federal Subsidiary has received any notice of conflict with respect thereto that asserts the rights of others. First Federal Bancorp and each First Federal Subsidiary has performed all the

material obligations required to be performed, and are not in default in any respect, under any contract, agreement, arrangement or commitment relating to any of the foregoing. To the Knowledge of First Federal Bancorp, the conduct of the business of First Federal Bancorp and each First Federal Subsidiary as currently conducted or proposed to be conducted does not, in any material respect, infringe upon, dilute, misappropriate or otherwise violate any intellectual property owned or controlled by any third party.

*Section 4.22 Labor Matters.*

There are no labor or collective bargaining agreements to which First Federal Bancorp or any First Federal Subsidiary is a party. To the Knowledge of First Federal Bancorp, there is no union organizing effort pending or threatened against First Federal Bancorp or any First Federal Subsidiary. There is no labor strike, labor dispute (other than routine employee grievances that are not related to union employees), work slowdown, stoppage or lockout pending or, to the Knowledge of First Federal Bancorp, threatened

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against First Federal Bancorp or any First Federal Subsidiary. There is no unfair labor practice or labor arbitration proceeding pending or, to the Knowledge of First Federal Bancorp, threatened against First Federal Bancorp or any First Federal Subsidiary (other than routine employee grievances that are not related to union employees). First Federal Bancorp and each First Federal Subsidiary is in compliance in all material respects with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and are not engaged in any unfair labor practice.

ARTICLE V

COVENANTS OF ALPENA BANKING CORPORATION

Section 5.01 Conduct of Business.

(a) *Affirmative Covenants.* During the period from the date of this Agreement to the Effective Time, except with the written consent of First Federal Bancorp, which consent will not be unreasonably withheld, conditioned or delayed, Alpena Banking Corporation will, and it will cause each Alpena Banking Subsidiary to: operate its business in the usual, regular and ordinary course of business; use reasonable efforts to preserve intact its business organization and assets and maintain its rights and franchises; and voluntarily take no action which would, or would be reasonably likely to, (i) materially adversely affect the ability of the Parties to obtain any Regulatory Approvals or other approvals of Governmental Entities required for the transactions contemplated hereby or materially increase the period of time necessary to obtain such approvals, or (ii) materially adversely affect its ability to perform its covenants and agreements under this Agreement.

(b) *Negative Covenants.* Alpena Banking Corporation agrees that from the date of this Agreement to the Effective Time, except as otherwise specifically permitted or required by this Agreement or as Previously Disclosed, without the written consent of First Federal Bancorp (which consent shall not be unreasonably withheld, conditioned or delayed), it will not, and it will cause each Alpena Banking Subsidiary not to:

(i) change or waive any provision of its Articles of Incorporation or Bylaws, or appoint a new director to its board of directors;

(ii) change the number of authorized or issued shares of its capital stock, issue any shares of Alpena Banking Corporation Common Stock, including any shares that are held as “treasury shares” as of the date of this Agreement, or issue or grant any Right or agreement of any character relating to its authorized or issued capital stock or any securities convertible into shares of such stock, make any grant or award under any equity compensation plan or arrangement, or split, combine or reclassify any shares of capital stock, or declare, set aside or pay any dividend or

other distribution in respect of capital stock, or redeem or otherwise acquire any shares of capital stock.

(iii) except as Previously Disclosed, enter into, amend in any material respect or terminate any contract or agreement except for any such contract or agreement that is for a term of twelve months or less or terminable at will without penalty, involves a cost in the aggregate of less than \$50,000, and is otherwise in the ordinary course of business;

(iv) make application for the opening or closing of any, or, open or close any, branch or automated banking facility;

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(v) grant or agree to pay any bonus, severance or termination to, or enter into, renew or amend any employment agreement, severance agreement and/or supplemental executive agreement with, or increase in any manner the compensation or fringe benefits of, any of its directors, officers or employees, except (i) as may be required pursuant to commitments existing on the date hereof and as Previously Disclosed, and (ii) pay increases in the ordinary course of business consistent with past practice to non-executive officer employees. Neither Alpena Banking Corporation nor any Alpena Banking Subsidiary shall hire or promote any employee to a rank having a title of vice president or other more senior rank or hire any new employee at an annual rate of compensation in excess of \$50,000, provided that Alpena Banking Corporation or an Alpena Banking Subsidiary may hire at-will, non-officer employees to fill vacancies that may from time to time arise in the ordinary course of business;

(vi) enter into or, except as may be required by law, materially modify any pension, retirement, stock option, stock purchase, stock appreciation right, stock grant, savings, profit sharing, deferred compensation, supplemental retirement, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any of its directors, officers or employees; or make any contributions to any defined contribution plan not in the ordinary course of business consistent with past practice;

(vii) merge or consolidate Alpena Banking Corporation or any Alpena Banking Subsidiary with any other corporation; sell or lease all or any substantial portion of the assets or business of Alpena Banking Corporation or any Alpena Banking Subsidiary; make any acquisition of all or any substantial portion of the business or assets of any other person, firm, association, corporation or business organization other than in connection with foreclosures, settlements in lieu of foreclosure, troubled loan or debt restructuring, or the collection of any loan or credit arrangement between Alpena Banking Corporation, or any Alpena Banking Subsidiary, and any other person; or enter into a purchase and assumption transaction with respect to deposits and liabilities;

(viii) sell or otherwise dispose of any asset of Alpena Banking Corporation or of any Alpena Banking Subsidiary other than in the ordinary course of business consistent with past practice; except for transactions with the FHLB, subject any asset of Alpena Banking Corporation or of any Alpena Banking Subsidiary to a lien, pledge, security interest or other encumbrance other than in the ordinary course of business consistent with past practice; incur any indebtedness for borrowed money (or guarantee any indebtedness for borrowed money), except in the ordinary course of business consistent with past practice;

(ix) voluntarily take any action which would result in any of the representations and warranties of Alpena Banking Corporation set forth in this Agreement becoming untrue as of any date after the date hereof or in any of the conditions set forth in Article VIII hereof not being satisfied, except in each case as may be required by applicable law;

(x) change any method, practice or principle of accounting, except as may be required from time to time by GAAP (without regard to any optional early adoption date) or any Regulatory Authority responsible for regulating

Alpena Banking Corporation or Bank of Alpena;

(xi) waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing material agreement or indebtedness to which Alpena Banking Corporation or any Alpena Banking Subsidiary is a party;

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(xii) purchase any securities other than in accordance with Alpena Banking Corporation's investment policy and in the ordinary course of business consistent with past practice;

(xiii) except for commitments issued prior to the date of this Agreement that have not yet expired and that have been Previously Disclosed, and the renewal of existing lines of credit, make any new loan or other credit facility commitment (including without limitation, lines of credit and letters of credit) other than in accordance with Bank of Alpena's existing lending policies and in the ordinary course of business consistent with past practice. In addition, the prior approval of First Federal Bancorp is required with respect to the following: (i) any new loan or credit facility commitment to any borrower or group of affiliated borrowers in an amount in excess of \$200,000 for a commercial real estate loan, \$200,000 for a construction loan, \$200,000 for a residential loan or whose credit exposure with Bank of Alpena, Alpena Banking Corporation, or any Alpena Banking Subsidiary in the aggregate, exceeds \$400,000 prior to thereto or as a result thereof; and (ii) any new loan or credit facility commitment secured by any property located outside of the State of Michigan;

(xiv) enter into, renew, extend or modify any transaction (other than a deposit transaction) with any Affiliate;

(xv) enter into any futures contract, option, interest rate caps, interest rate floors, interest rate exchange agreement or other agreement or take any other action for purposes of hedging the exposure of its interest-earning assets and interest-bearing liabilities to changes in market rates of interest other than in the ordinary course of business consistent with past practice;

(xvi) except for the execution of this Agreement, and actions taken or which will be taken in accordance with this Agreement and performance hereunder, take any action that would give rise to a right of payment to any individual under any employment agreement;

(xvii) make any material change in policies in existence on the date of this Agreement with regard to: the extension of credit, or the establishment of reserves with respect to the possible loss thereon or the charge off of losses incurred thereon; investments; asset/liability management; deposit pricing or gathering; or other material banking policies except as may be required by changes in applicable law or regulations, GAAP or by a Regulatory Authority;

(xviii) except for the execution of this Agreement, and the transactions contemplated herein, take any action that would give rise to an acceleration of the right to payment to any individual under any Alpena Banking Corporation Compensation and Benefit Plan;

(xix) other than as Previously Disclosed make any capital expenditures in excess of \$25,000 individually or \$50,000 in the aggregate, other than pursuant to binding commitments existing on the date hereof and as Previously Disclosed, and other than expenditures necessary to maintain existing assets in good repair;

(xx) pay, discharge, settle or compromise any claim, action, litigation, arbitration or proceeding, except, in consultation with First Federal Bancorp, with respect to any such payment, discharge, settlement or compromise made in the ordinary course of business consistent with past practice that involves solely money damages in the amount not in excess of \$25,000 individually or \$50,000 in the aggregate, and that does not create negative precedent for other pending or potential claims, actions, litigation, arbitration or proceedings, or waive or release any material rights or

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claims, or agree to consent to the issuance of any injunction, decree, order or judgment restricting or otherwise affecting its business or operations;

(xxi) except where it is a participant and not the lead lender, foreclose upon or take a deed or title to any commercial real estate without first conducting a Phase I environmental assessment of the property or foreclose upon any commercial real estate if such environmental assessment indicates the presence of Materials of Environmental Concern;

(xxii) purchase or sell any mortgage loan servicing rights;

(xxiii) issue any broadly distributed communication relating to the Merger or the Bank Merger to employees (including general communications relating to benefits and compensation) without prior consultation with First Federal Bancorp and, to the extent relating to post-Closing employment, benefit or compensation information without the prior consent of First Federal Bancorp (which shall not be unreasonably withheld, delayed or conditioned) or issue any broadly distributed communication to customers relating to the Merger or the Bank Merger without the prior approval of First Federal Bancorp (which shall not be unreasonably withheld, delayed or conditioned), except as required by law or for communications in the ordinary course of business consistent with past practice that do not relate to the Merger or other transactions contemplated hereby;

(xxiv) (1) take any action or knowingly fail to take any reasonable action that would, or would be reasonably likely to, prevent, impede or delay the Merger or the Bank Merger from qualifying as reorganizations within the meaning of Section 368(a) of the IRC, or (2) take any action that is reasonably likely to result in a material violation of any provision of this Agreement except, in each case, as may be required by applicable law or regulation; or

(xxv) agree to do any of the foregoing.

Section 5.02 Current Information.

(a) During the period from the date of this Agreement to the Effective Time, Alpena Banking Corporation will cause one or more of its representatives to confer with representatives of First Federal Bancorp and report on the general status of its ongoing operations at such times as First Federal Bancorp may reasonably request, provided that such representatives shall be subject to the Confidentiality Agreement. Alpena Banking Corporation will promptly notify First Federal Bancorp of any material change in the normal course of its business or in the operation of its properties and, to the extent permitted by applicable law, of any governmental complaints, investigations or hearings

(or communications indicating that the same may be contemplated), or the institution or the threat of material litigation involving Alpena Banking Corporation or any Alpena Banking Subsidiary. Without limiting the foregoing, senior officers of First Federal Bancorp and Alpena Banking Corporation shall meet on a reasonably regular basis (expected to be at least monthly) to review the financial and operational affairs of Alpena Banking Corporation and its Subsidiaries, in accordance with applicable law, and Alpena Banking Corporation shall give due consideration to First Federal Bancorp's input on such matters, with the understanding that, notwithstanding any other provision contained in this Agreement, neither First Federal Bancorp nor any First Federal Bancorp Subsidiary shall under any circumstance be permitted to exercise control of Alpena Banking Corporation or any Alpena Banking Subsidiary prior to the Effective Time.

(b) Representatives of Bank of Alpena and First Federal Bank shall meet on a regular basis to discuss and plan for the conversion of Bank of Alpena's data processing and related electronic informational systems to those used by First Federal Bank, which planning shall include, but not be limited

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to, discussion of the possible termination by Bank of Alpena of third-party service provider arrangements effective at the Effective Time or at a date thereafter, non-renewal of personal property leases and software licenses used by Bank of Alpena in connection with its systems operations, retention of outside consultants and additional employees to assist with the conversion, and outsourcing, as appropriate, of proprietary or self-provided system services, it being understood that Bank of Alpena shall not be obligated to take any such action prior to the Effective Time and no conversion shall take place prior to the Effective Time. In the event that Bank of Alpena takes, at the request of First Federal Bank, any action relative to third parties to facilitate the conversion that results in the imposition of any termination fees or charges, First Federal Bank shall indemnify Bank of Alpena for any such fees and charges, and the costs of reversing the conversion process, if for any reason the Merger is not consummated for any reason other than a willful breach of this Agreement by Alpena Banking Corporation, or a termination of this Agreement under Section 10.01(g) or 10.01(i).

(c) Bank of Alpena shall provide First Federal Bank, within fifteen (15) business days after the end of each calendar month, a written list of nonperforming assets (the term “nonperforming assets,” for purposes of this subsection, means (i) loans that are “troubled debt restructuring” as defined in Accounting Standards Codification 310-40, “Troubled Debt Restructuring by Creditors,” (ii) loans on nonaccrual, (iii) real estate owned, (iv) all loans ninety (90) days or more past due as of the end of such month, and (iv) impaired loans). On a monthly basis, Bank of Alpena shall provide First Federal Bank with a schedule of all loan approvals, which schedule shall indicate the loan amount, loan type and other material features of the loan.

(d) Alpena Banking Corporation shall promptly inform First Federal Bancorp upon receiving notice of any legal, administrative, arbitration or other proceedings, demands, notices, audits or investigations (by any Federal, state or local commission, agency or board) relating to the alleged liability of Alpena Banking Corporation or any Alpena Banking Subsidiary under any labor or employment law.

Section 5.03 Access to Properties and Records.

(a) Alpena Banking Corporation agrees that upon reasonable notice and subject to applicable laws relating to the exchange of information, it will (and will cause its Subsidiaries to) afford First Federal Bancorp, and First Federal Bancorp’s officers, employees, counsel, accountants and other authorized Representatives, such reasonable access during normal business hours throughout the period before the Effective Time to the books, records (including tax returns and work papers of independent auditors), properties, personnel and to such other information as First Federal Bancorp may reasonably request and, during such period, it will furnish promptly to First Federal Bancorp (1) a copy of each report, schedule and other document filed by it pursuant to the requirements of Federal or state securities or banking laws, and (2) all other information concerning its business, properties and personnel as First Federal Bancorp may reasonably request. Alpena Banking Corporation or any of its Subsidiaries will not be required to afford access or disclose information that would violate or prejudice the rights of its customers, jeopardize attorney-client privilege or contravene any provisions of applicable law, rule or regulation or any binding agreement with any third party. The Parties will make appropriate substitute arrangements in circumstances where the previous sentence applies. Each party will hold any information that is nonpublic and confidential in accordance with the confidentiality provisions of

the Confidentiality Agreement. No investigation by any party of the business and affairs of the other party, pursuant to this Section of the Agreement or otherwise, will affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to any party's obligation to consummate the transactions contemplated by this Agreement.

(b) First Federal Bancorp may elect, at its own expense, to conduct a "phase I environmental audit" and a "phase II environmental audit" at each Bank of Alpena branch at a time or times mutual

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agreeable to the Parties prior to the Closing Date; *provided, however*, that First Federal Bancorp may elect to conduct a “phase II environmental audit” prior to the Closing only to the extent that a “phase II environmental audit” is recommended by the “phase I environmental audit” as a result of a “Recognized Environmental Condition” (as such term is defined by The American Society for Testing Materials) identified in the “phase I environmental audit,” and provided that as to any “phase II environmental audits” performed at a branch which Bank of Alpena leases, the landlord pursuant to the applicable lease has consented to such “phase II environmental audit” if such consent is necessary pursuant to the lease. Bank of Alpena will use its commercially reasonable efforts (at no cost to Alpena Banking Corporation or Bank of Alpena) to obtain such landlord consent. Prior to performing any “phase II environmental audits,” First Federal Bancorp will provide Bank of Alpena with a copy of its proposed work plan and First Federal Bancorp will cooperate in good faith with Bank of Alpena to address any comments or suggestions made by Bank of Alpena regarding the work plan. First Federal Bancorp and its environmental consultant shall conduct all environmental assessments pursuant to this Section at mutually agreeable times and so as to eliminate or minimize to the greatest extent possible interference with Bank of Alpena’s operation of its business, and First Federal Bancorp shall maintain or cause to be maintained reasonably adequate insurance with respect to any assessment conducted hereunder. First Federal Bancorp shall be required to restore each property upon which environmental testing has been performed to substantially its pre-assessment condition. All costs and expenses incurred in connection with any “phase I environmental audit” and any “phase II environmental audit,” and any restoration and clean up, shall be borne solely by First Federal Bancorp. Any access to the Bank of Alpena branches hereunder shall be at the sole risk of First Federal Bancorp and, in connection therewith, First Federal Bancorp agrees to indemnify and hold harmless Alpena Banking Corporation and Bank of Alpena with respect to any damages or losses resulting from or arising out of such access. A full and complete copy of all phase I environmental audits and phase II environmental audits prepared under this Section shall be provided to Alpena Banking Corporation within five (5) days of receipt thereof by First Federal Bancorp.

Section 5.04 Financial and Other Statements.

(a) Promptly upon receipt thereof, Alpena Banking Corporation will furnish to First Federal Bancorp copies of each annual, interim or special audit of the financial statements of Alpena Banking Corporation and the Alpena Banking Corporation Subsidiaries made by its independent auditors and copies of all internal control reports submitted to Alpena Banking Corporation by such auditors in connection with each annual, interim or special audit of the financial statements of Alpena Banking Corporation and the Alpena Banking Corporation Subsidiaries made by such auditors.

(b) Alpena Banking Corporation will furnish to First Federal Bancorp copies of all documents, statements and reports as it or any Alpena Banking Subsidiary shall send to its shareholders, the FDIC, the FRB, the DIFS or any other Regulatory Authority, except as legally prohibited thereby. Within 25 days after the end of each month, Alpena Banking Corporation will deliver to First Federal Bancorp a consolidated balance sheet and a consolidated statement of income, without related notes, for such month prepared in accordance with current financial reporting practices.

Section 5.05 Maintenance of Insurance.

Alpena Banking Corporation shall maintain, and cause each Alpena Banking Subsidiary to maintain, insurance in such amounts as are reasonable to cover such risks as are customary in relation to the character and location of their properties and the nature of their business.

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Section 5.06 Disclosure Supplements.

From time to time prior to the Effective Time, Alpena Banking Corporation will promptly supplement or amend the Alpena Banking Corporation Disclosure Schedule delivered in connection herewith with respect to any matter hereafter arising which, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in such Alpena Banking Corporation Disclosure Schedule or that is necessary to correct any information in such Alpena Banking Corporation Disclosure Schedule which has been rendered materially inaccurate thereby. No supplement or amendment to such Alpena Banking Corporation Disclosure Schedule shall have any effect for the purpose of determining satisfaction of the conditions set forth in Article VIII.

Section 5.07 Consents and Approvals of Third Parties.

Alpena Banking Corporation shall use all commercially reasonable efforts to obtain as soon as practicable all consents and approvals necessary or desirable for the consummation of the transactions contemplated by this Agreement.

Section 5.08 Reasonable Best Efforts.

Subject to the terms and conditions herein provided, Alpena Banking Corporation agrees to use reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement.

Section 5.09 Failure to Fulfill Conditions.

If Alpena Banking Corporation determines that a condition to its obligation to complete the Merger cannot be fulfilled and that it will not waive that condition, it will promptly notify First Federal Bancorp.

Section 5.10 No Solicitation.

(a) Alpena Banking Corporation shall not, and shall not authorize or permit the Alpena Banking Subsidiaries and the respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants,

consultants, affiliates and other agents (collectively, the “Representatives”) to, directly or indirectly, (i) initiate, solicit, induce or knowingly encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes, or could reasonably be expected to lead to, an Acquisition Proposal; (ii) participate in any discussions or negotiations regarding any Acquisition Proposal or furnish, or otherwise afford access, to any Person (other than First Federal Bancorp) any information or data with respect to Alpena Banking Corporation or any of its Subsidiaries or otherwise relating to an Acquisition Proposal; (iii) release any Person from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which Alpena Banking Corporation is a party; or (iv) enter into any agreement, agreement in principle or letter of intent with respect to any Acquisition Proposal or approve or resolve to approve any Acquisition Proposal or any agreement, agreement in principle or letter of intent relating to an Acquisition Proposal. Alpena Banking Corporation and its Subsidiaries shall, and shall cause each of Alpena Banking Corporation Representatives to, immediately cease and cause to be terminated any and all existing discussions, negotiations, and communications with any Persons with respect to any existing or potential Acquisition Proposal.

For purposes of this Agreement, “Acquisition Proposal” shall mean any offer or proposal (other than an offer or proposal from First Federal Bancorp), whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to, an Acquisition Transaction. For purposes of this



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Agreement, “Acquisition Transaction” shall mean (A) any transaction or series of transactions involving any merger, consolidation, recapitalization, share exchange, liquidation, dissolution or similar transaction involving Alpena Banking Corporation or any of its Subsidiaries; (B) any transaction pursuant to which any third party or group acquires or would acquire (whether through sale, lease or other disposition), directly or indirectly, any assets of Alpena Banking Corporation or any of its Subsidiaries representing, in the aggregate, twenty-five percent (25%) or more of the assets of Alpena Banking Corporation and its Subsidiaries on a consolidated basis; (C) any issuance, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing twenty-five percent (25%) or more of the votes attached to the outstanding securities of Alpena Banking Corporation or any of its Subsidiaries; (D) any tender offer or exchange offer that, if consummated, would result in any third party or group beneficially owning twenty-five percent (25%) or more of any class of equity securities of Alpena Banking Corporation or any of its Subsidiaries; or (E) any transaction which is similar in form, substance or purpose to any of the foregoing transactions, or any combination of the foregoing.

(b) Notwithstanding Section 5.10(a), Alpena Banking Corporation may take any of the actions described in clause (ii) of Section 5.10(a) if, but only if, prior to the date of the Alpena Banking Corporation Shareholders Meeting: (i) Alpena Banking Corporation has received a bona fide unsolicited written Acquisition Proposal that did not result from a breach of this Section 5.10; (ii) the Alpena Banking Corporation Board determines in good faith, after consultation with and having considered the advice of its outside legal counsel and its independent financial advisor, that there is a reasonable likelihood that such Acquisition Proposal constitutes or is reasonably likely to lead to a Superior Proposal; and (iii) prior to furnishing or affording access to any information or data with respect to Alpena Banking Corporation or any of its Subsidiaries or otherwise relating to an Acquisition Proposal, Alpena Banking Corporation receives from such Person a confidentiality agreement with terms no less favorable to Alpena Banking Corporation than those contained in the Confidentiality Agreement between Alpena Banking Corporation and First Federal Bancorp. Alpena Banking Corporation shall promptly provide to First Federal Bancorp any material, non-public information regarding Alpena Banking Corporation or its Subsidiaries provided to any other Person that was not previously provided to First Federal Bancorp, such additional information to be provided no later than the date of provision of such information to such other party.

For purposes of this Agreement, “Superior Proposal” shall mean any bona fide written proposal (on its most recently amended or modified terms, if amended or modified) made by a third party to enter into an Acquisition Transaction on terms that the Alpena Banking Corporation Board determines in its good faith judgment, after consultation with and having considered the advice of outside legal counsel and a financial advisor: (i) would, if consummated, result in the acquisition of all, but not less than all, of the issued and outstanding shares of Alpena Banking Corporation Common Stock or all, or substantially all, of the assets of Alpena Banking Corporation and its Subsidiaries on a consolidated basis; (ii) would result in a transaction that involves consideration to the holders of the shares of Alpena Banking Corporation Common Stock that is more favorable, from a financial point of view, than the consideration to be paid to Alpena Banking Corporation’s shareholders pursuant to this Agreement, considering, among other things, the nature of the consideration being offered, and which proposal is not conditioned upon obtaining additional financing; and (iii) is reasonably likely to be completed on the terms proposed, in each case taking into account all legal, financial, regulatory and other aspects of the proposal, including any material regulatory approvals or other risks associated with the timing of the proposed transaction beyond or in addition to those specifically contemplated hereby.

(c) Alpena Banking Corporation shall promptly (and in any event within twenty-four (24) hours) notify First Federal Bancorp in writing if any proposals or offers are received by, any information is requested from, or any negotiations or discussions are sought to be initiated or continued with, Alpena Banking Corporation or any Alpena Banking Corporation Representatives, in each case in

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connection with any Acquisition Proposal, and such notice shall indicate the name of the Person initiating such discussions or negotiations or making such proposal, offer or information request and the material terms and conditions of any proposals or offers unless: (i) such materials constitute confidential information of the party making such offer or proposal under an effective confidentiality agreement, (ii) disclosure of such materials jeopardizes the attorney-client privilege or (iii) disclosure of such materials contravenes any law, rule, regulation, order, judgment or decree. Alpena Banking Corporation agrees that it shall keep First Federal Bancorp reasonably informed, on a current basis, of the status and terms of any such proposal, offer, information request, negotiations or discussions (including any amendments or modifications to such proposal, offer or request).

(d) Neither the Alpena Banking Corporation Board nor any committee thereof shall withdraw, qualify or modify, or propose to withdraw, qualify or modify, in a manner adverse to First Federal Bancorp in connection with the transactions contemplated by this Agreement (including the Merger), the Alpena Banking Corporation Recommendation (as defined in Section 7.01(a)), or make any statement, filing or release, in connection with the Alpena Banking Corporation Shareholders Meeting or otherwise, inconsistent with the Alpena Banking Corporation Recommendation (it being understood that taking a neutral position or no position with respect to an Acquisition Proposal shall be considered an adverse modification of the Alpena Banking Corporation Recommendation).

(e) Notwithstanding Section 5.10(d), prior to the date of Alpena Banking Corporation Shareholders Meeting, the Board of Directors of Alpena Banking Corporation may approve or recommend to the shareholders of Alpena Banking Corporation a Superior Proposal and withdraw, qualify or modify the Alpena Banking Corporation Recommendation in connection therewith (a “Alpena Banking Corporation Subsequent Determination”) after the third (3<sup>rd</sup>) Business Day following First Federal Bancorp’s receipt of a notice (the “Notice of Superior Proposal”) from Alpena Banking Corporation advising First Federal Bancorp that the Alpena Banking Corporation Board has decided that a bona fide unsolicited written Acquisition Proposal that it received (that did not result from a breach of this Section 5.10) constitutes a Superior Proposal (it being understood that Alpena Banking Corporation shall be required to deliver a new Notice of Superior Proposal in respect of any revised Superior Proposal from such third party or its affiliates that Alpena Banking Corporation proposes to accept and the subsequent notice period shall be two (2) business days) if, but only if, (i) the Alpena Banking Corporation Board has reasonably determined in good faith, after consultation with and having considered the advice of outside legal counsel and a financial advisor, that the failure to take such actions would be reasonably likely to be inconsistent with its fiduciary duties to Alpena Banking Corporation’s shareholders under applicable law, and (ii) at the end of such three (3) Business Day period or the two (2) Business Day Period (as the case may be), after taking into account any such adjusted, modified or amended terms as may have been committed to in writing by First Federal Bancorp since its receipt of such Notice of Superior Proposal (provided, however, that First Federal Bancorp shall not have any obligation to propose any adjustments, modifications or amendments to the terms and conditions of this Agreement), the Alpena Banking Corporation Board has again in good faith made the determination (A) in clause (i) of this Section 5.10(e) and (B) that such Acquisition Proposal constitutes a Superior Proposal.

*Section 5.11 Reserves and Merger-Related Costs.*

Alpena Banking Corporation agrees to consult with First Federal Bancorp with respect to its loan, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves). First Federal Bancorp and Alpena Banking Corporation shall also consult with respect to the character, amount and timing of restructuring charges to be taken by each of them in connection with the transactions contemplated hereby and shall take such charges as First Federal Bancorp shall reasonably request and which are not inconsistent with GAAP, provided that no such actions need be effected until First Federal Bancorp shall have irrevocably certified to Alpena Banking Corporation that all conditions set

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forth in Article VIII to the obligation of First Federal Bancorp to consummate the transactions contemplated hereby (other than the delivery of certificates or opinions) have been satisfied or, where legally permissible, waived.

Section 5.12 Board of Directors Meetings.

Alpena Banking Corporation and Bank of Alpena shall permit up to two (2) representatives of First Federal Bancorp to attend in person any meetings of the Board of Directors of Alpena Banking Corporation and/or Bank of Alpena as observers, subject to the Confidentiality Agreement; provided, that neither Alpena Banking Corporation nor Bank of Alpena shall be required to permit the First Federal Bancorp representatives to remain present during any confidential discussion of this Agreement and the transactions contemplated hereby or any third party proposal to acquire control of Alpena Banking Corporation or Bank of Alpena or during any other matter that the respective Board of Directors has reasonably determined to be confidential with respect to First Federal Bancorp's participation. First Federal Bancorp shall bear all legal and financial responsibility for ensuring that observer rights shall not constitute control of Alpena Banking Corporation or Bank of Alpena under applicable laws.

ARTICLE VI

COVENANTS OF FIRST FEDERAL BANCORP

Section 6.01 Conduct of Business.

(a) *Affirmative Covenants.* During the period from the date of this Agreement to the Effective Time, except with the written consent of Alpena Banking Corporation, which consent will not be unreasonably withheld, First Federal Bancorp will, and will cause each First Federal Subsidiary to operate its business in the usual, regular and ordinary course of business and use reasonable efforts to preserve intact its business organization and assets and maintain its rights and franchises.

(b) *Negative Covenants.* First Federal Bancorp agrees that from the date of this Agreement until the Effective Time, except as otherwise specifically permitted or required by this Agreement or as Previously Disclosed, without the written consent of Alpena Banking Corporation (which consent shall not be unreasonably withheld, conditioned or delayed), it will not, and it will cause each First Federal Subsidiary not to:

(i) change or waive any provision of its Articles of Incorporation or Bylaws in a manner that would materially and adversely affect the benefits of the Merger to the holders of Alpena Banking Corporation Common Stock;

(ii) change the number of authorized or issued shares of its capital stock, issue any shares of First Federal Bancorp Common Stock, including any shares that are held as “treasury shares” as of the date of this Agreement, or issue or grant any Right or agreement of any character relating to its authorized or issued capital stock or any securities convertible into shares of such stock, make any grant or award under any equity compensation plan or arrangement, or split, combine or reclassify any shares of capital stock, provided that First Federal Bancorp may issue shares of capital stock or Rights, or make grants or awards, under equity compensation plans or arrangements that are existing as of the date of this Agreement;

(iii) declare or pay any dividend or make any other distribution to First Federal Bancorp shareholders, whether in cash, stock or other property, except at such times and in such amounts as

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consistent with past practice, it being understood that the payment of dividends in amounts of up to \$0.02 per share per quarter shall be considered consistent with past practice;

(iv) merge or consolidate First Federal Bancorp with any other corporation in any transaction in which First Federal Bancorp is not the surviving company (a "Sale Transaction"), unless the acquirer in such transaction expressly agrees to be bound by this Agreement and, if such transaction is closed prior to the Effective Time of the Merger, any appropriate adjustment is made to the Exchange Ratio so that the Alpena Banking Corporation Shareholders receive the same benefits of the Sale Transaction as if they were shareholders of First Federal Bancorp at the time of the closing of the Sale Transaction;

(v) voluntarily take any action which would result in any of the representations and warranties of First Federal Bancorp set forth in this Agreement becoming untrue as of any date after the date hereof or in any of the conditions set forth in Article VIII hereof not being satisfied, except in each case as may be required by applicable law;

(vi) take any action that is intended to or would reasonably be expected to adversely affect or materially delay the ability of First Federal Bancorp or Alpena Banking Corporation to obtain any Regulatory Approvals or approvals of Governmental Entities required for the transactions contemplated hereby or to perform its covenants under the Agreement.

(vii) (1) take any action or knowingly fail to take any reasonable action that would, or would be reasonably likely to, prevent, impede or delay the Merger or the Bank Merger from qualifying as reorganizations within the meaning of Section 368(a) of the IRC, or (2) take any action that is reasonably likely to result in a material violation of any provision of this Agreement except, in each case, as may be required by applicable law or regulation; or

(viii) agree to do any of the foregoing.

Section 6.02 Current Information.

(a) During the period from the date of this Agreement to the Effective Time, First Federal Bancorp will cause one or more of its representatives to confer with representatives of Alpena Banking Corporation and report on the general status of matters relating to the completion of the transactions contemplated hereby and on its ongoing operations, at such times as Alpena Banking Corporation may reasonably request, provided that such representatives shall be subject to the Confidentiality Agreement. First Federal Bancorp will promptly notify Alpena Banking Corporation of any material change in the normal course of its business or in the operation of its properties and, to the extent permitted by

applicable law, of any governmental complaints, investigations or hearings, or the institution or the threat of material litigation involving First Federal Bancorp and its Subsidiaries. Without limiting the foregoing, senior officers of First Federal Bancorp and Alpena Banking Corporation shall meet on a reasonably regular basis (expected to be at least monthly) to review the financial and operational affairs of First Federal Bancorp and its Subsidiaries, in accordance with applicable law, and First Federal Bancorp shall give due consideration to Alpena Banking Corporation's input on such matters.

(b) First Federal Bank shall provide Bank of Alpena, within fifteen (15) business days after the end of each calendar month, a written list of nonperforming assets (the term "nonperforming assets," for purposes of this subsection, means (i) loans that are "troubled debt restructuring" as defined in Accounting Standards Codification 310-40, "Troubled Debt Restructuring by Creditors," (ii) loans on nonaccrual, (iii) real estate owned, (iv) all loans ninety (90) days or more past due as of the end of such month, and (v) impaired loans). On a monthly basis, First Federal Bank shall provide Bank of Alpena with a schedule of



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all loan approvals, which schedule shall indicate the loan amount, loan type and other material features of the loan.

(c) First Federal Bancorp shall promptly inform Alpena Banking Corporation upon receiving notice of any legal, administrative, arbitration or other proceedings, demands, notices, audits or investigations (by any Federal, state or local commission, agency or board) relating to the alleged liability of First Federal Bancorp or any First Federal Banking Subsidiary under any labor or employment law.

Section 6.03 Access to Properties and Records.

(a) First Federal Bancorp agrees that upon reasonable notice and subject to applicable laws relating to the exchange of information, it will (and will cause its Subsidiaries to) afford Alpena Banking Corporation, and Alpena Banking Corporation's officers, employees, counsel, accountants and other authorized Representatives, such reasonable access during normal business hours throughout the period before the Effective Time to the books, records (including tax returns and work papers of independent auditors), properties, personnel and to such other information as Alpena Banking Corporation may reasonably request and, during such period, it will furnish promptly to Alpena Banking Corporation (1) a copy of each report, schedule and other document filed by it pursuant to the requirements of Federal or state securities or banking laws, and (2) all other information concerning its business, properties and personnel as Alpena Banking Corporation may reasonably request. First Federal Bancorp or any of its Subsidiaries will not be required to afford access or disclose information that would violate or prejudice the rights of its customers, jeopardize attorney-client privilege or contravene any provisions of applicable law, rule or regulation or any binding agreement with any third party. The Parties will make appropriate substitute arrangements in circumstances where the previous sentence applies. Each party will hold any information that is nonpublic and confidential in accordance with the confidentiality provisions of the Confidentiality Agreement. No investigation by any party of the business and affairs of the other party, pursuant to this Section of the Agreement or otherwise, will affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to any party's obligation to consummate the transactions contemplated by this Agreement.

(b) Alpena Banking Corporation may elect, at its expense, to conduct a "phase I environmental audit" and a "phase II environmental audit" at each First Federal Bank branch at a time or times mutually agreeable to the Parties prior to the Closing Date; *provided, however*, that Alpena Banking Corporation may elect to conduct a "phase II environmental audit" prior to the Closing only to the extent that a "phase II environmental audit" is recommended by the "phase I environmental audit" as a result of a "Recognized Environmental Condition" (as such term is defined by The American Society for Testing Materials) identified in the "phase I environmental audit," and provided that as to any "phase II environmental audits" performed at a branch which First Federal Bank leases, the landlord pursuant to the applicable lease has consented to such "phase II environmental audit" if such consent is necessary pursuant to the lease. First Federal Bank will use its commercially reasonable efforts (at no cost to First Federal Bancorp or First Federal Bank) to obtain such landlord consent. Prior to performing any "phase II environmental audits," Alpena Banking Corporation will provide First Federal Bank with a copy of its proposed work plan and Alpena Banking Corporation will cooperate in good faith with First Federal Bank to address any comments or suggestions made by First Federal Bank regarding the work plan. Alpena Banking Corporation and its environmental consultant shall conduct all environmental

assessments pursuant to this Section at mutually agreeable times and so as to eliminate or minimize to the greatest extent possible interference with First Federal Bank's operation of its business, and Alpena Banking Corporation shall maintain or cause to be maintained reasonably adequate insurance with respect to any assessment conducted hereunder. Alpena Banking Corporation shall be required to restore each property upon which environmental testing has been performed to substantially its pre-assessment condition. All costs and expenses incurred in connection with any "phase I environmental audit" and any "phase II environmental audit," and any restoration and clean

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up, shall be borne solely by Alpena Banking Corporation. Any access to the First Federal Bank branches hereunder shall be at the sole risk of Alpena Banking Corporation and, in connection therewith, Alpena Banking Corporation agrees to indemnify and hold harmless First Federal Bancorp and First Federal Bank with respect to any damages or losses resulting from or arising out of such access. A full and complete copy of all phase I environmental audits and phase II environmental audits prepared under this Section shall be provided to First Federal Bancorp within five (5) days of receipt thereof by Alpena Banking Corporation.

Section 6.04 Financial and Other Statements.

(a) First Federal Bancorp will make available to Alpena Banking Corporation (i) copies of all documents, statements and reports as it or any First Federal Subsidiary shall send to the OCC, the FRB, or any other Regulatory Authority, with respect to the Merger and the Bank Merger, and (ii) the First Federal Bancorp Securities Documents filed by it with the SEC.

(b) Promptly upon receipt thereof, First Federal Bancorp will furnish to Alpena Banking Corporation copies of each annual, interim or special audit of the financial statements of First Federal Bancorp and the First Federal Bancorp Subsidiaries made by its independent auditors and copies of all internal control reports submitted to First Federal Bancorp by such auditors in connection with each annual, interim or special audit of the financial statements of First Federal Bancorp and the First Federal Bancorp Subsidiaries made by such auditors.

(c) First Federal Bancorp will furnish to Alpena Banking Corporation copies of all documents, statements and reports as it or any Alpena Banking Subsidiary shall send to its shareholders, the FDIC, the FRB, the OCC or any other Regulatory Authority, except as legally prohibited thereby. Within 25 days after the end of each month, First Federal Bancorp will deliver to Alpena Banking Corporation a consolidated balance sheet and a consolidated statement of income, without related notes, for such month prepared in accordance with current financial reporting practices.

Section 6.05 Maintenance of Insurance.

First Federal Bancorp shall maintain, and cause each First Federal Bancorp Subsidiary to maintain, insurance in such amounts as are reasonable to cover such risks as are customary in relation to the character and location of their properties and the nature of their business.

Section 6.06 Disclosure Supplements.

From time to time prior to the Effective Time, First Federal Bancorp will promptly supplement or amend the First Federal Bancorp Disclosure Schedule delivered in connection herewith with respect to any matter hereafter arising which, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in such First Federal Bancorp Disclosure Schedule or which is necessary to correct any information in such First Federal Bancorp Disclosure Schedule which has been rendered inaccurate thereby. No supplement or amendment to such First Federal Bancorp Disclosure Schedule shall have any effect for the purpose of determining satisfaction of the conditions set forth in Article VIII.

Section 6.07 Consents and Approvals of Third Parties; Reasonable Best Efforts.

First Federal Bancorp shall use all commercially reasonable efforts to obtain as soon as practicable all consents and approvals necessary or desirable for the consummation of the transactions contemplated by this Agreement, including assistance with Regulatory Authorities concerning the termination of any written

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agreement then in effect between Alpena Banking Corporation or any Alpena Banking Subsidiary and any Regulatory Authority. Subject to the terms and conditions herein provided, First Federal Bancorp agrees to use reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement.

Section 6.08 Failure to Fulfill Conditions.

If First Federal Bancorp determines that a condition to its obligation to complete the Merger cannot be fulfilled and that it will not waive that condition, it will promptly notify Alpena Banking Corporation.

Section 6.09 Employee Benefits.

(a) First Federal Bancorp will review all Alpena Banking Corporation Compensation and Benefit Plans to determine whether to terminate or continue such plans. In the event employee compensation and/or benefits as currently provided by Alpena Banking Corporation or any Alpena Banking Subsidiary are changed or terminated by First Federal Bancorp, in whole or in part, First Federal Bancorp shall provide Continuing Employees (as defined below) with compensation and benefits that are, in the aggregate, substantially similar to the compensation and benefits provided to similarly situated employees of First Federal Bancorp or applicable First Federal Bancorp Subsidiary (as of the date any such compensation or benefit is provided). Employees of Alpena Banking Corporation or any Alpena Banking Subsidiary who become participants in any First Federal Bancorp Compensation and Benefit Plan shall, for purposes of determining eligibility for and for any applicable vesting periods of such employee benefits only (and not for benefit accrual purposes unless specifically set forth herein) be given credit for service as an employee of Alpena Banking Corporation or any Alpena Banking Subsidiary or any predecessor thereto prior to the Effective Time, and provided further, that credit for benefit accrual purposes will be given only for purposes of First Federal Bancorp vacation policies or programs and for purposes of the calculation of severance benefits under any severance compensation plan of First Federal Bancorp. This Agreement shall not be construed to limit the ability of First Federal Bancorp or First Federal Bank to terminate the employment of any employee or to review employee benefits programs from time to time and to make such changes (including terminating any program) as they deem appropriate.

(b) First Federal Bancorp shall honor the terms of all employment, consulting and change in control agreements, if any, Previously Disclosed by Alpena Banking Corporation. Alpena Banking Corporation has Previously Disclosed the payments and benefits that would be required to be made/provided under the Alpena Banking Corporation Employment Agreements.

(c) Nothing contained in this Agreement shall be construed to grant a contract of employment to any employee of Alpena Banking Corporation or any Alpena Banking Subsidiary who becomes an employee of First Federal Bancorp or First Federal Bank. Any employee of Bank of Alpena, other than an employee who is a party to an employment agreement, change in control agreement or other separation agreement that provides a benefit on a termination of employment, whose employment is terminated involuntarily (other than for cause) at the Bank Merger Effective Date or within one year following the Bank Merger Effective Date shall receive a lump sum severance payment from First Federal Bank equal to one week's pay at the rate then in effect, for each full year of employment with Bank of Alpena, subject to a minimum of four weeks and a maximum of 26 weeks, provided that such employee enters into a release of claims against Bank of Alpena and First Federal Bank, their Subsidiaries and affiliates in a form satisfactory to First Federal Bank. Such Bank of Alpena employees will have the right to continued health coverage under group health plans of First Federal Bank in accordance with IRC Section 4980B(f) and ERISA Sections 601-609.

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(d) In the event of any termination or consolidation of any Alpena Banking Corporation health plan with any First Federal Bancorp health plan, First Federal Bancorp shall make available to those employees of Alpena Banking Corporation or any of the Alpena Banking Subsidiaries who become employees of First Federal Bancorp or any of the First Federal Subsidiaries following the Merger and the Bank Merger (“Continuing Employees”) and their dependents employer-provided health coverage on the same basis as it provides such coverage to First Federal Bancorp employees. Unless a Continuing Employee affirmatively terminates coverage under an Alpena Banking Corporation health plan before the time that such Continuing Employee becomes eligible to participate in the First Federal Bancorp health plan, no coverage of any of the Continuing Employees or their dependents shall terminate under any of the Alpena Banking Corporation health plans before the time such Continuing Employees and their dependents become eligible to participate in the health plans, programs and benefits common to all employees of First Federal Bancorp and their dependents. In the event of a termination or consolidation of any Alpena Banking Corporation health plan, terminated Alpena Banking Corporation employees and qualified beneficiaries will have the right to continued coverage under group health plans of First Federal Bancorp in accordance with COBRA, consistent with the provisions below. All Alpena Banking Corporation employees who cease participating in an Alpena Banking Corporation health plan and become participants in a comparable First Federal Bancorp health plan (each a “Former Alpena Banking Corporation Health Plan Participant”) shall receive credit for any co-payment and deductibles paid under Alpena Banking Corporation’s health plan for purposes of satisfying any applicable deductible or out-of-pocket requirements under the First Federal Bancorp health plan, upon substantiation, in a form satisfactory to First Federal Bancorp that such co-payment and/or deductible has been satisfied. With respect to any Former Alpena Banking Corporation Health Plan Participant, any coverage limitation under the First Federal Bancorp health plan due to any pre-existing condition shall be waived by the First Federal Bancorp health plan to the degree that such condition was covered by the Alpena Banking Corporation health plan and such condition would otherwise have been covered by the First Federal Bancorp health plan in the absence of such coverage limitation.

Section 6.10 Directors and Officers Indemnification and Insurance.

(a) For a period of six years from and after the Effective Time, First Federal Bancorp shall indemnify, defend and hold harmless each person who is now, or who has been at any time before the date hereof or who becomes before the Effective Time, an officer or director of Alpena Banking Corporation or an Alpena Banking Subsidiary (the “Indemnified Parties”) against all losses, claims, damages, costs, expenses (including attorney’s fees), liabilities or judgments or amounts that are paid in settlement of or in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, or administrative (each a “Claim”), in which an Indemnified Party is, or is threatened to be made, a party or witness in whole or in part or arising in whole or in part out of the fact that such person is or was a director, officer or employee of Alpena Banking Corporation or an Alpena Banking Subsidiary if such Claim pertains to any matter of fact arising, existing or occurring at or before the Effective Time (including, without limitation, the Merger and the other transactions contemplated hereby), regardless of whether such Claim is asserted or claimed before or after the Effective Time. The obligation of First Federal Bancorp to the Indemnified Parties shall be to the fullest extent as would have been permitted by Alpena Banking Corporation under Alpena Banking Corporation’s Articles of Incorporation and Bylaws. First Federal Bancorp shall also pay all of an Indemnified Party’s expenses in advance of the final disposition of any such action or proceeding to the fullest extent, and in accordance with the required procedures, of Alpena Banking Corporation’s Articles of Incorporation and Bylaws.

(b) If either First Federal Bancorp or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving bank or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person,

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