

# HURON COMMUNITY FINANCIAL SERVICES, INC.

HOLDING COMPANY FOR



# HURON COMMUNITY BANK

301 Newman Street  
East Tawas, Michigan 48730  
Phone (989) 362-6700

COMMON STOCK  
\$1,000,000 per each 12  
month period

(aggregated with all other offerings made pursuant to Section 3(b) of the  
Securities Act of 1933, as amended)

FOR SALE PURSUANT TO THE HURON COMMUNITY FINANCIAL SERVICES, INC.  
AUTOMATIC DIVIDEND REINVESTMENT PLAN

Huron Community Financial Services, Inc. (the "Company") hereby offers for sale up to \$1,000,000 of its common stock (the "Common Stock") every 12 months to residents of the States of Michigan, Florida, Oregon, Georgia, North Carolina, Texas, Virginia, Colorado, Illinois, Oklahoma, South Carolina, Indiana and Washington pursuant to the Company's Automatic Dividend Reinvestment Plan.

**THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF OR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER, THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.**

The securities offered hereby involve a high degree of risk. See "**Risk Factors**" on page 3 for certain items you should consider prior to making an investment in the Common Stock. This Offering made on a "best efforts - no minimum" basis and has no fixed termination date. No proceeds raised pursuant to this offering will be held in escrow or in trust pending the termination of the Offering.

The Date Of This Offering Circular Is July 31, 2015.

THE SECURITIES OFFERED HEREBY ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OTHER OBLIGATIONS OF A BANK OR SAVINGS ASSOCIATION AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE DEPOSIT INSURANCE FUND OR ANY OTHER GOVERNMENT AGENCY.

THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK. THERE IS NO ASSURANCE THAT OUR OPERATIONS WILL BE PROFITABLE OR THAT LOSSES WILL NOT OCCUR. INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED OR APPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO BROKER-DEALER, SALESMAN, AGENT OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFERING HEREBY MADE OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR OR EFFECTIVE LITERATURE.

THIS IS A BEST EFFORTS OFFERING, AND THE ISSUER HAS THE EXCLUSIVE RIGHT TO SELECT POTENTIAL OFFEREEES UNDER THE OFFERING. ONLY THOSE SHAREHOLDERS RESIDING IN THE STATES OF MICHIGAN, FLORIDA, OREGON, GEORGIA, NORTH CAROLINA, TEXAS, VIRGINIA, COLORADO, ILLINOIS, OKLAHOMA, SOUTH CAROLINA, INDIANA AND WASHINGTON ARE PERMITTED TO PARTICIPATE IN THE OFFERING AT THIS TIME. THE ISSUER RESERVES THE RIGHT TO ACCEPT OR REJECT ANY SUBSCRIPTION AND WILL PROMPTLY NOTIFY THE SUBSCRIBER OF ACCEPTANCE OR REJECTION. THERE IS NO ASSURANCE THAT THIS OFFERING WILL BE FULLY SUBSCRIBED, AND THE ISSUER HAS NO INTENTION OF RETURNING ANY FUNDS RELATED TO ACCEPTED SUBSCRIPTIONS. THE ISSUER ALSO RESERVES THE RIGHT TO WITHDRAW OR CANCEL THE OFFERING AT ANY TIME WITHOUT NOTICE.

THE OFFERING PRICE HAS BEEN ARBITRARILY SELECTED BY THIS ISSUER. THERE IS NO ESTABLISHED SECONDARY TRADING MARKET FOR THESE SECURITIES, AND LITTLE LIKELIHOOD OF SUCH A MARKET DEVELOPING IN THE NEAR FUTURE. UNLESS A MARKET IS ESTABLISHED, PURCHASERS MIGHT NOT BE ABLE TO SELL THEIR SECURITIES. MOREOVER, THE SECURITIES OFFERED HEREBY ARE NOT FREELY TRANSFERABLE BECAUSE SUCH SECURITIES ARE SUBJECT TO CERTAIN RIGHTS OF REFUSAL GRANTED TO THE COMPANY UNDER THE COMPANY'S RESTATED ARTICLES OF INCORPORATION. A LEGEND INDICATING THIS RESTRICTION ON TRANSFER HAS BEEN PLACED ON ALL OUTSTANDING CERTIFICATES EVIDENCING SUCH SECURITIES. AS A RESULT OF THE FOREGOING RESTRICTIONS, PURCHASERS OF THESE SECURITIES SHOULD INTEND TO HOLD THEIR INVESTMENT FOR AN EXTENDED PERIOD AND BE ABLE TO WITHSTAND THE TOTAL LOSS OF THEIR INVESTMENT.

## SUMMARY OF THE OFFERING CIRCULAR

The following summarizes certain information contained elsewhere in this Offering Circular. You should read this summary only in conjunction with the complete text of this Offering Circular and its Exhibits.

### **The Company and the Bank**

The Company, a registered financial holding company, conducts all of its business activities through its sole wholly-owned bank subsidiary, Huron Community Bank (the "Bank"). Since 1927, the Bank has been a community bank. It now serves Tawas City, East Tawas, Lincoln, Oscoda, AuGres, and Harrisville, Michigan.

### **The Offering**

<b>Securities Offered</b>	Up to \$1,000,000 of shares of the Company's Common Stock per each 12 month period, subject to aggregation with all other sales made by the Company during the period pursuant to an exemption under Section 3(b) of the Securities Act of 1933.
<b>Offering Price</b>	The Company's Board of Directors, in its absolute discretion, has established the offering price of \$50.00 per share, which offering price may not represent the fair market value of the Shares. See "The Offering."
<b>Common Stock Outstanding</b>	554,117 shares as of July 31, 2015.
<b>Restrictions on Transfer</b>	The Shares will be subject to the Company's right of first refusal granted under the Company's Restated Articles of Incorporation and will bear legends to that effect.
<b>Plan of Distribution</b>	The Shares are being offered on a "best efforts, no minimum" basis to existing shareholders residing in the States of Michigan, Florida, Oregon, Georgia, North Carolina, Texas, Virginia, Colorado, Illinois, Oklahoma, South Carolina, Indiana and Washington under the Company's Automatic Dividend Reinvestment Plan (the "Plan"). This offering is being made pursuant to a claim of exemption from registration under the Federal securities laws pursuant to Section 3(b) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 504 of Regulation D thereunder. See "The Offering."

## **Risk Factors**

An investment in the securities hereby offered is speculative and involves a high degree of risk, including risks related to the Company's stock and risks associated with the Company's business. The several risk factors discussed in this Offering Circular, along with the other matters discussed in this Offering Circular, should be considered in making an investment decision. See "Risk Factors."

## **Use of Proceeds**

While the Company has no specific plans for the investment of the proceeds of this Offering, it anticipates that the majority of the net proceeds will be used to further capitalize the Bank in order to fund its general corporate purposes, including, but not necessarily limited to, the continued support of residential and commercial lending activity in the communities it serves. See "Use Of Proceeds."

## **RISK FACTORS**

An investment in the Company's common stock is subject to risks inherent to the Company's business. Described below are certain risks and uncertainties that management has identified as material. Before making an investment decision, investors should carefully consider the risks and uncertainties described below together with all the other information included in this offering document.

If any of the following risks actually occur, the Company's financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the Company's common stock could decline significantly, and investors would lose all or part of their investment.

### **Risks Related to the Company's Stock**

*No Public Market.* There is no public market for the Common Stock and it is not likely that a public market will develop in the foreseeable future. Consequently, the Company cannot make any assurances as to the liquidity, marketability or price stability of the Common Stock.

*Limited Transferability.* The Common Stock is subject to a significant restriction on transferability contained in the Restated Articles of Incorporation of the Company, which gives the Company a right of first refusal in respect of any proposed sale or transfer of the Common Stock. Note that the Company's Restated Articles of Incorporation were amended at the Company's 2013 annual meeting to eliminate a second right of refusal to the original incorporators of the Company. For more information regarding this restriction, see "Description of Capital Stock - Limited Transferability of Capital Stock." Since the shares will not be freely transferable, they should be acquired for investment purposes only and not with a view toward transfer or resale.

*Offering Price.* The Company in its discretion has established the offering price of \$50.00 per share. Although the offering price per share is based in part on a valuation of the Common Stock as of December 31, 2014, the offering price per share has no direct relationship to earnings or any other independently established "market price" for the Common Stock. Consequently, the offering price may not reflect the actual fair market value of the Company's Common Stock.

*Dividend Restrictions.* We are dependent primarily upon the earnings of the Bank for funds to pay dividends on the Common Stock. The payment of dividends by us is also subject to regulatory restrictions. As a result, any payment of dividends in the future will be dependent, in large part, on our ability to satisfy these regulatory restrictions and our subsidiaries' earnings, capital requirements, financial condition and other factors. Although our financial earnings and financial condition have allowed us to declare and pay regular cash dividends to our shareholders, there can be no assurance that our dividend policy or size of dividend

distribution will continue in the future. Our failure to pay dividends on the Common Stock could have a material adverse effect on the value of the Common Stock.

*Anti-Takeover Measures.* The Restated Articles contain provisions that could discourage the acquisition of control of the Company without the support of the Board of Directors of the Company. The number of shares of Common Stock now or in the future held by the management of the Company and the Bank may have a similar effect. These factors may impede the takeover of the Company without the approval of the Board of Directors of the Company, may result in the Company being less attractive to potential acquirer's and may result in stockholders receiving less for their shares than otherwise might be available.

## **Risks Related to the Company's Business**

*Economic Risk.* The Company's success depends significantly on the general economic conditions of the State of Michigan. Unlike larger regional or national banks that are more geographically diversified, the Company provides banking and financial services to customers primarily in Northeast Michigan. The local economic conditions in these areas have a significant impact on the demand for the Company's products and services as well as the ability of the Company's customers to repay loans, the value of the collateral securing loans, and the stability of the Company's deposit funding sources.

The Company's primary markets have been in a significant economic downturn, spurred in some measure by the collapse of the U.S. automobile industry and exacerbated by the recent overall turmoil in the financial services sector. As a consequence of the U.S. recession, businesses across a wide range of industries face serious difficulties due to the lack of consumer spending and the lack of liquidity in the global credit markets. Unemployment has also increased significantly. A sustained weakness or further weakening in business and economic conditions in the markets in which we do business could adversely affect our businesses by, among other things, decreasing the demand for loans and other products and services that we offer, and increasing the number of borrowers who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to us.

*Market volatility.* Over the past few years, the capital and credit markets have been experiencing volatility and disruption. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain borrowers without regard to their underlying financial strength. If such levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our businesses, financial condition and results of operations.

*Lending Risk.* There are inherent risks associated with the Company's lending activities. These risks include, among other things, the impact of changes in interest rates and changes in economic conditions in the markets where the Company operates as well as those across the State of Michigan and the United States. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. The Company is also subject to various laws and regulations that affect its lending activities. Failure to comply with applicable laws and regulations could subject the Company to regulatory enforcement action that could result in the assessment of significant civil money penalties against the Company.

The primary focus of the Bank is centered on commercial business loans which generally involve somewhat greater risk than residential mortgage loans. Commercial business loans may be unsecured or secured by special purpose or rapidly depreciating assets, such as equipment, inventory and receivables, which may not provide an adequate source of repayment on defaulted loans. In addition, commercial business loans are dependent on the borrower's continuing financial strength and management ability, as well as market conditions for various products, services and commodities. For these reasons, commercial business loans generally provide higher yields than residential loans but also require more administrative and management attention. Loan terms, including the fixed or adjustable interest rate, the loan maturity and the collateral considerations, vary significantly and are often negotiated on an individual loan basis.

A significant portion of the Bank's loan portfolio is also secured by one-to-four family residential real estate. These types of loans have historically been viewed as lower risk of default than commercial and industrial or consumer loans. Recent market declines in values of both residential and commercial properties have elevated the risks for loans secured by real estate. An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses, and an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company maintains an Allowance for Loan Losses (the "Allowance"), which is a reserve established through a provision for loan losses charged to expense, that represents Management's best estimate of probable loan losses that have been incurred within the existing portfolio of loans. The Allowance, in the judgment of Management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the Allowance reflects Management's continuing evaluation of loan loss experience, current loan portfolio quality, present economic, political, and regulatory conditions, and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the Allowance inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, and other factors, both within and outside of the Company's control, may require an increase in the Allowance. In addition, bank regulatory agencies periodically review the Company's Allowance and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different from those of management.

*Interest Rate Risk.* The Company's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest earned on interest earning assets such as loans and securities and interest paid on interest bearing liabilities such as deposits and borrowings. Interest rates are highly sensitive to many factors that are beyond the Company's control, including general economic and market conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and investment securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect the Company's ability to originate loans and obtain deposits and the fair values of the Company's financial assets and liabilities. If the interest rates paid on deposits and other borrowings increase at a faster rate or decrease at a slower rate than the interest rates received on loans and investments, the Company's net interest income, and therefore earnings, could be adversely affected.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on the Company's results of operations, any substantial, unexpected, or prolonged change in market interest rates or in the term structure of interest rates could have a material adverse effect on the Company's financial condition and results of operations.

*Regulatory Risk.* The Company is subject to extensive federal and state regulation and supervision primarily intended to protect depositors' funds, federal deposit insurance funds, and the banking system as a whole. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy, and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations, and policies for possible changes. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products the Company may offer and/or increase the ability of non-banks to offer competing financial products and services, among other things. Failure to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil money penalties, and/or reputation damage, which could have a material adverse effect on the Company's business, financial

condition, and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

Recent events in the U.S. and global financial markets, including the deterioration of the worldwide credit markets, have created significant challenges for financial institutions both in the United States and around the world. Dramatic declines in the housing market, marked by falling home prices and increasing levels of mortgage foreclosures, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. In light of such economic conditions, the United States Government has instituted a number of programs designed to increase credit availability, provide liquidity during the crisis and stabilize the banking system, and there may be additional sweeping governmental reform legislation enacted to provide even greater supervision and regulation of the banking and financial service industry over the coming years. It is impossible to predict how these possible reforms may affect our ability to implement our business plans. These actions are intended to stabilize and improve the financial condition, risk profile, and capital adequacy of the industry and such financial institutions, but there can be no assurances that such actions will have the intended effects.

*Increases in FDIC insurance premiums.* The FDIC insures deposits held by FDIC-insured financial institutions, including the Bank. The FDIC charges the insured financial institutions premiums to maintain the Deposit Insurance Fund at a certain level. Current economic conditions have increased bank failures and expectations for further failures. Consequently, the FDIC increased insurance premium rates and imposed special assessments designed to rebuild the Deposit Insurance Fund and help maintain public confidence in the banking system. The FDIC also revised the risk-based formula used to determine the premiums due from financial institution under the insurance program. These increases and assessments have increased the Company's insurance expense, which in turn has negatively affected our net income. Any additional premium increases or special assessments could further increase the Company's insurance expense going forward.

*Competition.* The banking business is highly competitive. The Company competes with other commercial banks, savings and loan associations, credit unions, mortgage banking companies, securities brokerage companies, insurance companies, and money market mutual funds operating in Michigan and elsewhere. Many of these competitors have substantially greater resources and lending limits than the Company and offer certain services that the Company does not currently provide. In addition, non-depository institution competitors are generally not subject to the extensive regulation applicable to both the Company and the Bank.

*Failure or Circumvention of Controls and Procedures.* Management regularly reviews and updates the Company's internal controls and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations, and financial condition.

*Attraction and Retention of Key Personnel.* Our success depends upon the continued service of our senior management team and upon our ability to attract and retain qualified financial services personnel. Competition for qualified employees is intense. We cannot assure you that we will be able to retain our existing key personnel or attract additional qualified personnel. If we lose the services of our key personnel, or are unable to attract additional qualified personnel, our business, financial condition and results of operations could be adversely affected.

*Cautionary Statement Regarding "Forward-Looking" Information.* This offering circular may include statements regarding our business and prospects, such as projections of future performance, statements of management's plans and objectives, forecasts of market trends, and other matters that are forward-looking statements. Statements containing the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "expects," "anticipates," "intends," "target," "goal," "plans," "objective," "should" (or any similar expressions) identify forward-looking statements.

Our future results, including results related to forward-looking statements, involve a number of risks and uncertainties. No assurance can be given that the results reflected in any forward-looking statements will be achieved. Our forward-looking statements are based upon assumptions that are sometimes based upon estimates, data, communications and other information from suppliers, government agencies and other sources that may be subject to revision. Further, any forward-looking statement speaks only as of the date on which it is made, and new factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

## **DESCRIPTION OF THE COMPANY AND THE BANK**

### **General**

The Company is a registered financial holding company incorporated in Michigan in 1988. In early 1989, the Company purchased all of the issued and outstanding shares of capital stock of the Bank. All of the Company's traditional banking activities are conducted through the Bank, which was incorporated as a Michigan banking corporation in 1927 under the name "Peoples State Bank." Over the years, it has operated under the names "Michigan Bank - Huron" and, since 1987, "Huron Community Bank."

The Bank is a community bank serving Tawas City, East Tawas, Lincoln, Harrisville, Au Gres and Oscoda, Michigan and surrounding areas. The Bank is engaged in the business of commercial banking and exercises the powers of a full service commercial bank (with the exception of trust services), and offers automated teller machines, drive-through banking facilities and Saturday banking hours at most of the Bank's locations. At the present time, the Bank continues to concentrate its efforts on core bank activities such as growing its deposit base and making mortgage, consumer and commercial loans.

### **Business Activities**

*Loan Portfolio.* The Bank's primary lending focus is on commercial loans, particularly loans to small and medium sized businesses, but it also provides mortgage loans, home equity loans, installment loans, overdraft protection and credit cards. Despite its commercial lending focus, the Bank has also been one of the leading mortgage lenders in the Michigan Counties of Iosco and Alcona. The Bank does not engage in any sub-prime lending.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged off at an earlier date if principal or interest is considered doubtful. When a loan is placed in nonaccrual status, all accrued and unpaid interest is charged against interest income.

The Bank's Allowance for Loan Losses represents management's estimate of inherent credit losses in the Bank's loan portfolio. Because it is an estimate that is based on assumptions that are highly uncertain, if different assumptions were used or if any of the assumptions used were to change, there could be a material impact on the presentation of the Company's financial condition. These assumptions include, but are not limited to, collateral values and the effect of economic conditions on the financial condition of the borrowers. To determine the Allowance for Loan Losses, the Bank estimates losses on all loans that are not classified as non-accrual or renegotiated by applying historical loss rates to those loans. In addition, all loans that are nonaccrual or renegotiated are individually tested for impairment. Any amount of monetary impairment is included in the Allowance for Loan Losses on a loan by loan basis.

*Investment Portfolio.* The Bank maintains a conservative investment portfolio which includes agency bonds, investment-grade bonds, Federal Home Loan Bank stock, and Federal Reserve Bank stock.

*Deposits.* The Bank offers a full range of deposit products, including business checking, consumer checking, savings, certificate of deposit (to include jumbo CDs), individual retirement accounts, money market accounts and municipal investment accounts. The Bank's deposits are insured to the applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (the "FDIC").

## Market Area Information

*General.* The Bank has its main office located in East Tawas, Michigan approximately 115 miles north of Flint and operates six offices in the Michigan Counties of Alcona, Arenac and Iosco Counties. The Bank owns all such offices, each of which, except for the Harrisville branch, has a drive-through facility. The complete address of each of the Bank's banking offices is provided in the table below.

Office Address	City	Date Established
<b>Alcona County, Michigan</b>		
423 East Main Street	Harrisville	7/17/1998
327 Traverse Bay Road	Lincoln	6/16/1993
<b>Arenac County, Michigan</b>		
3150 East Huron Road, Sims Township	Au Gres	10/28/1985
<b>Iosco County, Michigan</b>		
301 Newman Street	East Tawas	6/14/1927
5077 North Huron Road	Oscoda Township	9/22/1975
410 Lake Street	Tawas City	4/7/1961

## Competition

The Bank competes primarily with commercial banks, savings and loan associations, and credit unions located in and around its primary market area, but it also competes with other commercial banks, savings and loan associations, credit unions, mortgage banking companies, securities brokerage companies, insurance companies, and money market mutual funds operating in Michigan and elsewhere. Many of these competitors have substantially greater resources and lending limits than the Company and the Bank and offer certain services that the Company and the Bank do not currently provide.

## Employees

Currently, the only employees of the Company are its officers. As of July 31, 2015, the Bank had 53 full-time employees and 10 part-time employees. The Bank provides a number of benefits for its full-time employees, including health and life insurance, pensions, workers' compensation, social security, paid vacations, and numerous bank services.

## SUPERVISION AND REGULATION

The following is a summary of certain statutes and regulations affecting us. This summary is qualified in its entirety by reference to the particular statutes and regulations. A change in applicable laws or regulations may have a material effect on us and our Bank.

## General

Financial institutions and their holding companies are extensively regulated under federal and state law. Consequently, our growth and earnings performance can be affected not only by management decisions

and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. Those authorities include, but are not limited to, the Board of Governors of the Federal Reserve System (the “Federal Reserve”), the Federal Deposit Insurance Corporation (the “FDIC”), the Michigan Department of Insurance and Financial Services (the “DIFS”), the Internal Revenue Service, and state taxing authorities. The effect of such statutes, regulations and policies and any changes thereto can be significant and cannot be predicted.

Federal and state laws and regulations generally applicable to financial institutions and their holding companies regulate, among other things, the scope of business, investments, reserves against deposits, capital levels, lending activities and practices, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and dividends. The system of supervision and regulation applicable to us establishes a comprehensive framework for our operations and is intended primarily for the protection of the FDIC’s deposit insurance funds, our depositors, and the public, rather than our shareholders.

Federal law and regulations establish supervisory standards applicable to the lending activities of our Bank, including internal controls, credit underwriting, loan documentation and loan-to-value ratios for loans secured by real property.

### **Recent Regulatory Developments**

*The Dodd-Frank Wall Street Reform and Consumer Protection Act.* The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”) was enacted into law on July 21, 2010. The Dodd-Frank Act is significantly changing the regulation of financial institutions and the financial services industry. Because the Dodd-Frank Act requires various federal agencies to adopt a broad range of regulations with significant discretion, many of the details of the new law and the effects they will have on the Company will not be known for months and even years.

Among the provisions already implemented pursuant to the Dodd-Frank Act, the following provisions have or may have an effect on the business of the Corporation and its subsidiaries:

- a new Consumer Financial Protection Bureau has been formed with broad powers to adopt and enforce consumer protection regulations;
- the federal law prohibiting the payment of interest on commercial demand deposit accounts was eliminated effective in July 2011;
- the standard maximum amount of deposit insurance per customer was permanently increased to \$250,000;
- the assessment base for determining deposit insurance premiums has been expanded from domestic deposits to average assets minus average tangible equity; and
- public companies in all industries are or will be required to provide shareholders the opportunity to cast a non-binding advisory vote on executive compensation.

Additional provisions not yet implemented that may have an effect on the Company and its subsidiaries include the following:

Many provisions of the Dodd-Frank Act have not yet been implemented and will require interpretation and rule making by federal regulators. As a result, the ultimate effect of the Dodd-Frank Act on the Company cannot yet be determined. However, it is likely that the implementation of these provisions will increase compliance costs and fees paid to regulators, along with possibly restricting the operations of the Company and its subsidiaries.

*Federal Deposit Insurance Coverage.* In light of recent changes brought about by the Dodd-Frank Wall Street Reform and Consumer Compliance Act, the Bank’s deposits are insured by the FDIC to a maximum of \$250,000 per account title. For this protection, the Bank must pay a quarterly statutory

assessment and comply with the rules and regulations of the FDIC. The FDIC has adopted a risk-based assessment system. Under this system, FDIC-insured depository institutions pay insurance premiums at rates based on their risk classification. Institutions assigned to higher risk classifications (that is, institutions that pose a higher risk of loss to the deposit insurance fund) pay assessments at higher rates than institutions that pose a lower risk. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. In addition, the FDIC can impose special assessments in certain instances. The FDIC may terminate its insurance of deposits if it finds that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

Because of the ongoing credit crisis, the increase in the number of failed banks and the resulting current and expected increase in costs to the FDIC Insurance Fund, the FDIC adopted substantial increases in the insurance premium rates it charges beginning in 2009 and adopted regulations requiring banks to prepay three years of their deposit insurance assessments.

### **Huron Community Financial Services, Inc.**

*General.* We are a registered bank holding company that has made an election with the Federal Reserve to operate as a financial holding company. Consequently, the Company is subject to regulation by the Federal Reserve under the Bank Holding Company Act, as amended (the "BHCA"). Under the BHCA, we are subject to periodic examination by the Federal Reserve, and are required to file periodic reports of operations and such additional information as the Federal Reserve may require.

*Source of Strength and Capital Maintenance.* In accordance with Federal Reserve policy, a bank holding company is expected to act as a source of financial strength to its subsidiary banks and to commit resources to support the subsidiary banks in circumstances where the bank holding company might not do so in the absence of such policy.

In addition, if the DIFS deems a bank's capital to be impaired, the DIFS may require a bank to restore its capital by special assessment upon a bank holding company, as the bank's sole shareholder. If the bank holding company failed to pay such assessment, the directors of that bank would be required, under Michigan law, to sell the shares of bank stock owned by the bank holding company to the highest bidder at either public or private auction and use the proceeds of the sale to restore the bank's capital.

*Investments and Activities.* In general, any direct or indirect acquisition by a bank holding company of any voting shares of any bank which would result in the bank holding company's direct or indirect ownership or control of more than 5% of any class of voting shares of such bank, and any merger or consolidation of the bank holding company with another bank holding company, will require the prior written approval of the Federal Reserve under the BHCA. In acting on such applications, the Federal Reserve must consider various statutory factors including the effect of the proposed transaction on competition in relevant geographic and product markets, and each party's financial condition, managerial resources, and record of performance under the Community Reinvestment Act.

In addition and subject to certain exceptions, the Change in the Bank Control Act ("Control Act") and regulations promulgated thereunder by the Federal Reserve, require any person acting directly or indirectly, or through or in concert with one or more persons, to give the Federal Reserve 60 days' written notice before acquiring control of a bank holding company. In general, transactions which are presumed to constitute the acquisition of control include the acquisition of any voting securities of a bank holding company if, after the transaction, the acquiring person (or persons acting in concert) owns, controls or holds with power to vote 10% or more of any class of voting securities of the institution. The acquisition may not be consummated subsequent to such notice if the Federal Reserve issues a notice within 60 days, or within certain extensions of such period, disapproving the acquisition.

The merger or consolidation of an existing bank subsidiary of a bank holding company with another bank, or the acquisition by such a subsidiary of the assets of another bank, or the assumption of the deposit and other liabilities by such a subsidiary requires the prior written approval of the responsible Federal depository institution regulatory agency under the Bank Merger Act, based upon a consideration of statutory factors similar to those outlined above with respect to the BHCA. In addition, in certain cases an application to, and the prior approval of, the Federal Reserve under the BHCA and/or DIFS under Michigan banking laws, may be required.

With certain limited exceptions, the BHCA prohibits any bank holding company from engaging, either directly or indirectly through a subsidiary, in any activity other than managing or controlling banks unless the proposed non-banking activity is one that the Federal Reserve has determined to be so closely related to banking as to be a proper incident thereto. Under current Federal Reserve regulations, such permissible non-banking activities include such things as mortgage banking, equipment leasing, securities brokerage, and consumer and commercial finance company operations. Eligible bank holding companies that have elected to operate as financial holding companies (such as the Company) may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance activities and any other activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature, incidental to any such financial activity or complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Bank Holding Company Act generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank or financial holding companies.

*Dividends.* Most of our revenues are received in the form of dividends paid by our Bank. Thus, our ability to pay dividends to our shareholders is indirectly limited by statutory restrictions on the ability of our Bank to pay dividends, as discussed below. Further, in a recent policy statement, the Federal Reserve has expressed its view that a bank holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income or which can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. Additionally, the Federal Reserve possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. As with most other insured depository institutions, the Company has experienced some deterioration in its earnings in the wake of the financial crisis that gripped the country beginning in the third quarter of 2008. However, the Company does not expect this deterioration to have any significant long-term impact on the ability of the Company to pay dividends. Nonetheless, the Company will continue to evaluate the payment of dividends to ensure that they are consistent with the Company's mandate to act as a source of financial strength for its subsidiary depository institution.

In addition to the restrictions on dividends imposed by the Federal Reserve, the Michigan Business Corporation Act provides that dividends may be legally declared or paid only if after the distribution, a corporation can pay its debts as they come due in the usual course of business and its total assets equal or exceed the sum of its liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of any holders of preferred stock whose preferential rights are superior to those receiving the distribution.

## **Huron Community Bank**

*General.* Our Bank is a Michigan banking corporation, is a member of the Federal Reserve System and its deposit accounts are insured by the Deposit Insurance Fund ("DIF") of the FDIC. As a member of the Federal Reserve System, and a Michigan chartered bank, our Bank is subject to the examination, supervision, reporting and enforcement requirements of the Federal Reserve Board as its primary regulator, and DIFS, as the chartering authority for Michigan banks. These agencies and the federal and state laws applicable to our Bank and its operations, extensively regulate various aspects of the banking business including, among other

things, permissible types and amounts of loans, investments and other activities, capital adequacy, branching, interest rates on loans and on deposits, the maintenance of non-interest bearing reserves on deposit accounts, and the safety and soundness of banking practices.

*Deposit Insurance.* As discussed above, all FDIC-insured institution, such as our Bank, are required to pay deposit insurance premium assessments to the FDIC. Under the FDIC’s risk-based assessment system for deposit insurance premiums, all insured depository institutions are placed into one of four categories and assessed insurance premiums based primarily on their level of capital and supervisory evaluations.

*FICO Assessments.* Our Bank, as a member of the DIF, is subject to assessments to cover the payments on outstanding obligations of the Financing Corporation (“FICO”). FICO was created to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the predecessor to the FDIC’s Savings Association Insurance Fund which was created to insure the deposits of thrift institutions and was merged with the Bank Insurance Fund into the newly formed DIF in 2006. From now until the maturity of the outstanding FICO obligations in 2019, DIF members will share the cost of the interest on the FICO bonds on a pro rata basis.

*DIFS Assessments.* Michigan banks are required to pay supervisory fees to the DIFS to fund their operations. The amount of supervisory fees paid by a bank is based upon the bank’s total assets.

*Capital Requirements.* The Federal Reserve has established the following minimum capital standards for state-chartered, FDIC-insured member banks, such as our Bank: a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with minimum requirements of 4% to 5% for all others, and a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, at least one-half of which must be Tier 1 capital. Tier 1 capital consists principally of shareholders’ equity. These capital requirements are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, Federal Reserve regulations provide that higher capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators’ powers depends on whether the institution in question is “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” or “critically undercapitalized.” Federal regulations define these capital categories as follows:

	<b>Total Risk-Based Capital Measure</b>	<b>Tier 1 Risk-Based Capital Measure</b>	<b>Common Equity Tier 1 Capital</b>	<b>Leverage Measure</b>
Well capitalized	10% or above	8% or above	6.5% or above	5% or above
Adequately capitalized	8% or above	6% or above	4.5% or above	4% or above
Undercapitalized	Less than 8%	Less than 6%	Less than 4.5%	Less than 4%
Significantly undercapitalized	Less than 6%	Less than 4%	Less than 3%	Less than 2%
Critically undercapitalized	—	—		A ratio of tangible equity to total assets of 2% or less

At June 30, 2015, our Bank’s ratios exceeded minimum requirements for the well-capitalized category.

Depending upon the capital category to which an institution is assigned, the regulators’ corrective powers include: requiring the submission of a capital restoration plan; placing limits on asset growth and

restrictions on activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest rates the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated debt; and ultimately, appointing a receiver for the institution.

In general, a depository institution may be reclassified to a lower category than is indicated by its capital levels if the appropriate federal depository institution regulatory agency determines the institution to be otherwise in an unsafe or unsound condition or to be engaged in an unsafe or unsound practice. This could include a failure by the institution, following receipt of a less-than-satisfactory rating on its most recent examination report, to correct the deficiency.

*Dividends.* Under Michigan law, banks are restricted as to the maximum amount of dividends they may pay on their common stock. Our Bank may not pay dividends except out of its net income after deducting its losses and bad debts. A Michigan state bank may not declare or pay a dividend unless the bank will have a surplus amounting to at least 20% of its capital after the payment of the dividend.

As a member of the Federal Reserve System, our Bank is required to obtain the prior approval of the Federal Reserve Board for the declaration or payment of a dividend if the total of all dividends declared in any year will exceed the total of (a) the Bank's retained net income (as defined by federal regulation) for that year, *plus* (b) the Bank's retained net income for the preceding two years. Federal law generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. In addition, the Federal Reserve may prohibit the payment of dividends by a bank, if such payment is determined, by reason of the financial condition of the bank, to be an unsafe and unsound banking practice or if the bank is in default of payment of any assessment due to the FDIC.

*Insider Transactions.* Our Bank is subject to certain restrictions imposed by the Federal Reserve Act on "covered transactions" with us, which include investments in our stock or other securities issued by us or our subsidiaries, the acceptance of our stock or other securities issued by us or our subsidiaries as collateral for loans and extensions of credit to us or our subsidiaries. Certain limitations and reporting requirements are also placed on extensions of credit by our Bank to its directors and officers, to our directors and officers, to our principal shareholders, and to "related interests" of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person becoming one of our directors or officers or a principal shareholder may obtain credit from banks with which our Bank maintains a correspondent relationship.

*Safety and Soundness Standards.* Pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the FDIC adopted guidelines to establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines establish standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

*Investment and Other Activities.* Under federal law and regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. FDICIA, as implemented by FDIC regulations, also prohibits FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as a principal in any activity that is not permitted for a national bank or its subsidiary, respectively, unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the bank's primary federal regulator determines the activity would not pose a significant risk to the DIF. Impermissible investments and activities must be otherwise divested or discontinued within certain time frames set by the bank's primary

federal regulator in accordance with federal law. These restrictions are not currently expected to have a material impact on the operations of our Bank.

*Consumer Banking.* Our Bank’s business includes making a variety of types of loans to individuals. In making these loans, our Bank is subject to state usury and regulatory laws and to various federal statutes, including the privacy of consumer financial information provisions of the Gramm Leach-Bliley Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, and the regulations promulgated under these statutes, which (among other things) prohibit discrimination, specify disclosures to be made to borrowers regarding credit and settlement costs, and regulate the mortgage loan servicing activities of our Bank, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. In receiving deposits, our Bank is subject to extensive regulation under state and federal law and regulations, including the Truth in Savings Act, the Expedited Funds Availability Act, the Bank Secrecy Act, the Electronic Funds Transfer Act, and the Federal Deposit Insurance Act. Violation of these laws could result in the imposition of significant damages and fines upon our Bank and its directors and officers.

*Branching Authority.* Michigan banks, such as our Bank, have the authority under Michigan law to establish branches anywhere in the State of Michigan, subject to receipt of all required regulatory approvals. Banks may establish interstate branch networks through acquisitions of other banks. The establishment of *de novo* interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is allowed only if specifically authorized by state law.

Michigan permits both U.S. and non-U.S. banks to establish branch offices in Michigan. The Michigan Banking Code permits, in appropriate circumstances and with the approval of the DIFS (1) acquisition of Michigan banks by FDIC-insured banks or savings banks located in other states, (2) sale by a Michigan bank of branches to an FDIC-insured bank or savings bank located in a state in which a Michigan bank could purchase branches of the purchasing entity, (3) consolidation of Michigan banks and FDIC-insured banks or savings banks located in other states having laws permitting such consolidation, (4) establishment of branches in Michigan by FDIC-insured banks located in other states, the District of Columbia or U.S. territories or protectorates having laws permitting a Michigan bank to establish a branch in such jurisdiction, and (5) establishment by foreign banks of branches located in Michigan.

## MANAGEMENT

### Directors and Officers

The following table contains pertinent information concerning the present directors and executive officers of the Company and the Bank.

Name and Residence Address	Principal Occupation for Last 5 Years	Year that Service Began	Company/Bank Position	Shares Owned Directly or Beneficially as of 7/31/2015	Exercisable Options	% Ownership of Company
Wayne Bigelow 2118 East Huron Rd AuGres, MI 48703	Owner and President Marine Transport AuGres, MI	1997	Director, Treasurer/ Director	26,158	6,501	5.89%
Matthew W. Buresh 4507 Gowen Rd. East Tawas, MI 48730	Funeral Director Buresh Funeral Home	2006	Director/Director	206	3,041	0.59%
David H. Cook	Attorney	2003	Director, Secretary/	4,733	6,252	1.98%

4385 M-72 Harrisville, MI 48740	David H. Cook PC		Director			
Mark D. Elliott 1282 Tawas Beach Rd. East Tawas, MI 48730	Insurance Asst. Owner	2009	Director/Director	14,587	2,859	3.15%
Thomas B. Huck 4742 Lakeside Blvd. Hale, MI 48739	Attorney Thomas B. Huck, PC	1984	Director, VP/Director	5,456	2,275	1.39%
Jeffrey B Loomis 3014 N. U.S. 23 Oscoda, MI 48750	President and CEO Huron Community Bank	2014	President and CEO/Director	22	333	0.06%
Alan J. Stephenson 1160 Court Dr. East Tawas, MI 48730	CPA Stephenson, Gracik & Co. PC	1989	Chairman/ Chairman	19,858	12,282	5.80%
Gary J. Thibault 1590 Kings Corner Rd Mikado, MI 48745	President and CEO GT Plastics	2015	Director/Director	2,815	-	0.51%
John A. Emmendorfer 1005 W. Lake Street Unit #2 Tawas City, MI 48763	Executive VP, Senior Loan Officer Huron Community Bank	2008	Executive VP, Chief Credit Officer	342	2,350	0.49%
David McMahan 907 W. Lake Street Unit #9 Tawas City, MI 48763	Executive VP, Operations Officer Huron Community Bank	2009	Executive VP, Operations Officer Huron Community Bank	4,494	1,550	1.09%
Scott A. Peters 1241 Autumn Lane Petosky, MI 49770	Senior Lending Officer Huron Community Bank	2014	Senior VP, Chief Lending Officer	7	-	0.00%
<b>Totals for Share Ownership Numbers(1)</b>				<b>78,678</b>	<b>37,443</b>	<b>20.96</b>

(1) Percentage of ownership based on 554,117 shares of the Company's common stock outstanding on July 31, 2015 and assumes the exercise of all outstanding options.

Outstanding options to purchase shares of Common Stock have been granted to the directors and certain key employees pursuant to: (1) the 2005 Nonemployee Director Stock Option Plan; (2) the 2005 Employee Stock Option Plan; and (3) the 2014 Stock Incentive Plan. The options are exercisable at any time prior to the respective expiration dates, ten years after grant date. The Company has also granted options to acquire a total of 20,343 shares to certain directors pursuant to its 1997 Nonemployee Director Discretionary Stock Option Plan and 2005 Nonemployee Director Discretionary Stock Option Plan. The exercise price under all of the foregoing options is the fair market value of the shares on the respective grant dates.

### Compensation of Executive Officers and Directors

The following table sets forth: (i) the aggregate compensation paid by the Bank to its three highest paid executive officers for 2014; and (ii) the projected aggregate compensation to be paid by the Bank to the three highest paid executive officers for 2015.

NAME AND TITLE OF	COMPONENTS OF	AGGREGATE	PROJECTED AGGREGATE
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SENIOR EXECUTIVE OFFICERS	COMPENSATION	COMPENSATION FOR MR. WASEN, MR. EMMENDORFER AND MR. MCMAHON AS A GROUP FOR 2014	COMPENSATION FOR MR. LOOMIS, MR. EMMENDORFER AND MR. MCMAHON AS A GROUP FOR 2015
Gerald G. Wasen President & CEO until August 8, 2014 Jeffrey B. Loomis President & CEO after August 18, 2014 John A. Emmendorfer Executive VP, Chief Credit Officer David M. McMahon, Executive VP, Operations Scott A. Peters Senior VP, Chief Lending Officer	Compensation for each individual identified consists of annual salary and a discretionary annual cash bonus. Compensation for Mr. Wasen and Mr. Loomis also includes fees for service as members of the board of directors.	\$372,803	\$425,073

Directors of the Company do not receive compensation for their services as directors. Directors of the Bank receive \$1,000 for each meeting of the Board of Directors of the Bank attended. The Chairman receives an additional \$50 for each meeting of the Board of Directors of the Bank attended. Members of the Bank's credit and audit committee receive \$250 for each meeting of such committee attended. Members of the Bank's other committees receive \$175 for each meeting of such committee attended. Certain outside directors have also been designated as board officers of the holding company, but those individuals receive no additional compensation for serving in such capacities and have no additional policy making functions beyond their capacities as directors.

### Transactions with Management

Some of the directors, executive officers and principal shareholders of the Company and/or the Bank and the companies with which they are associated are customers of and have had banking transactions with the Bank or lending company in the ordinary course of business. All loans and commitments for loans included in such transactions were made on substantially the same terms, including interest rates and collateral, as were prevailing at the time for comparable transactions with other persons. Such loans and commitments for loans do not involve more than a normal risk of collectability or present other unfavorable features. The Company and/or the Bank also expect to continue to have in the future, banking transactions in the ordinary course of its business with directors, officers, principal shareholders and their associates, on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others. Such transactions will not involve more than the normal risk of collectability or present other unfavorable features.

### PRINCIPAL SHAREHOLDERS

As of the date hereof, no person owned of record or beneficially more than 10% of the outstanding shares of Common Stock. It is the intent of the Company that no persons, including affiliates of such person, will own greater than 10% of the outstanding shares of Common Stock subsequent to the Offering. However, it is possible that the 401(k) plan established for the benefit of the Bank's employees may in the aggregate hold greater than 10% of the Company's outstanding shares in the future, although no individual participant will have greater than 10% allocated to his/her individual account.

### USE OF PROCEEDS

While the Company has no specific plans for the investment of the proceeds of this Offering, it anticipates that the majority of the net proceeds will be used to further capitalize the Bank in order to fund its general corporate purposes, including, but not necessarily limited to, the continued support of residential and

commercial lending activity in the communities it serves. Some potential additional uses of the funding include:

- to invest in securities;
- to pay dividends to stockholders;
- to repurchase shares of its common stock;
- to finance the possible acquisition of financial institutions or other businesses related to banking; or
- the possible expansion of business activities.

While the Company anticipates using the majority of net proceeds to further capitalize the Bank, some net proceeds may be retained at the parent company for general corporate purposes. There are currently no plans, arrangements, or understandings regarding the possible acquisition of another financial institution or other business related to banking.

## **DESCRIPTION OF CAPITAL STOCK**

The following description of the capital stock of the Company does not purport to be complete and is subject to and qualified in its entirety by reference to the Company's Restated Articles.

### **General**

The Company's total authorized capital stock currently consists of 1,000,000 shares of common stock, \$1.00 par value per share. Prior to the amendment of the Company's Articles of Incorporation at the 2013 annual meeting, the Company also had a class of preferred stock authorized, but none of such stock were outstanding. The Bank is the registrar and transfer agent for the Company's Common Stock.

### **Common Stock**

The holders of Common Stock are entitled to receive such dividends as may from time to time be declared by the Board of Directors. In the event of liquidation, they are entitled to share ratably in all assets of Company available for distribution to holders of shares of Common Stock. With respect to the election of directors, and every other issue submitted to them as Company shareholders at a meeting of shareholders or otherwise, the shareholders are entitled to one vote per share of Common Stock. Holders of shares of Common Stock do not have preemptive rights.

### **Limited Transferability of Common Stock**

Under Article III of the Restated Articles of Incorporation of the Company, and except in limited circumstances, none of the outstanding shares of Common Stock of the Company may voluntarily or involuntarily be transferred or sold unless and until the holder thereof (the "Holder") shall have first offered for sale such shares to the Company. Such restriction, however, does not apply to a transfer, by whatever means, to a spouse or lineal descendent of the Holder, a corporation, partnership or trust controlled by the Holder or to a trust or to a court appointed fiduciary for the benefit of the Holder. As noted above, prior to the amendment of the Articles of Incorporation at the 2013 annual meeting, the original incorporators had a secondary right of refusal in the event the Company chose not to exercise its right of refusal. That secondary right was eliminated with the amendment of the Articles.

Any Holder who desires to sell or otherwise transfer any or all of his or her shares of capital stock of the Company (a "Selling Holder") must first offer the same for sale to the Company by giving to the Company written notice, delivered to the President or Secretary of the Company, indicating: (i) the number of shares of Common Stock

desired to be sold or otherwise transferred; (ii) the name and address of the proposed third-party purchaser(s) (the “Proposed Buyer”); (iii) the per share purchase price offered by the Proposed Buyer and any other material terms of the proposed sale or transfer; and (iv) either the number(s) of the subject certificate(s) for the shares of Common Stock proposed to be sold, if such shares are still in certificated form, or the shareholder account identification number for such shares if held in book-entry form.

The Board of Directors of the Company must within 30 days after receipt of the offer of sale (or within 120 days after receipt if acceptance of such offer by the Company requires prior regulatory approval) notify the Selling Holder in writing whether it desires to purchase the shares of Common Stock so offered for the sale on the terms and at the “Applicable Purchase Price” (as hereinafter defined). In the event that the Company notifies the Selling Holder of its acceptance of the offer of sale, then the Company’s notification will specify a date not less than five nor more than 15 days after the date of such notice as the date on which the shares of Common Stock will be purchased by the Company. If the Company fails to purchase and pay for all of the shares of Common Stock so offered for sale, it shall be deemed to have rejected the offer.

Upon receipt of written notice of the Company’s refusal to purchase the shares of Common Stock offered to it for sale, or if the Company does not purchase and pay for such shares of Common Stock upon the applicable terms and within the applicable time limitations, the Selling Holder may sell or otherwise transfer such shares of Common Stock to, and only to, the Proposed Buyer, at the offered price and upon the offered terms. However, if the sale or transfer to the Proposed Buyer is not made within 30 days after the Company’s right to purchase such shares of Common Stock expires, then the above described provisions of Article III of the Restated Articles of Incorporation of the Company shall again apply to those shares.

The “Applicable Purchase Price” is determined as follows: If a Holder desires to sell and transfer shares of Common Stock of the Company pursuant to a written bona fide offer to purchase received by the Holder from an unrelated third party in an arms-length transaction, the purchase price at which the Company shall be entitled to purchase the shares proposed to be transferred will be the same price at which the Selling Holder desires to sell and transfer shares to such unrelated third party. If the proposed transfer is a transfer not pursuant to a bona fide third party offer, the purchase by the Company shall be at a price per share equal to: (i) the value of such shares as determined by an independent consultant retained by the Company, if determined within the twelve month period preceding the month the notice for such purchase is received, or (ii) where no such valuation has been performed, at a price equal to the net book value of such shares on the last day of the month preceding the month in which such notice is received, as determined by the independent auditors then serving the Company.

The purchase price to be paid by the Company when purchasing Common Stock pursuant to the provisions of Article III of the Restated Articles of Incorporation of the Company, is payable in cash in full, unless otherwise agreed between the parties, on the date of the settlement for and delivery of the shares.

The Company is not required to accept any offer of sale made pursuant to Article III of the Company's Restated Articles of Incorporation. Failure of the Company to purchase any shares of Common Stock offered for sale and the sale or transfer thereof to any other person, firm or corporation, shall not, as to any future sale or other transfer of said shares, or of any shares of Common Stock issued in lieu thereof, discharge any of such shares of capital stock from any of the obligations and restrictions contained in the Restated Articles of Incorporation of the Company, as such obligations and restrictions are intended to apply to any and all sales or other transfers of shares of Common Stock of the Company whenever, however or by whomever acquired.

When the Company has repurchased shares in accordance with this authority, its general practice has been to immediately retire the shares upon repurchase in lieu of holding them as treasury shares. From an accounting perspective, the retirement of the shares generally involves a reduction to common stock for the amount of the aggregate par value of the repurchased shares and a concomitant reduction to retained earnings for the difference between the total purchase amount and the aggregate par value.

## DESCRIPTION OF SHAREHOLDER RIGHTS

*The following discussion is not meant to be relied upon as an exhaustive list or detailed description of the rights of holders of the Company's equity securities, and is not intended to constitute a detailed description of the Company's Restated Articles of Incorporation and Bylaws (collectively, the "Charter Documents") and the Michigan Business Corporation Act, as amended (the "MBCA "). The following discussion is qualified in its entirety by reference to the Charter Documents and the MBCA.*

### **General**

The provisions of the Charter Documents and the MBCA govern the rights of holders of the Company's equity securities.

### **Board of Directors; Removal of Directors**

The size of the whole Board of Directors of the Company is nine. The Board of Directors of the Company is divided into three classes of three directors each, with the term of office of one of such classes expiring in each year. At each annual meeting of shareholders, the successors to the directors of the class whose term is expiring at that time are elected to hold office for a term of three years. The provision in the Restated Articles of Incorporation of the Company setting forth the number and classification of the Board of Directors of the Company may not be amended, supplemented, modified or repealed unless (i) a majority of the Board of Directors of the Company recommends such a change and it is approved by not less than 66 2/3% of the outstanding voting shares, or (ii) such change is approved by not less than 80% of the outstanding voting shares.

With respect to an election of directors, a holder of Common Stock is entitled to one vote for each share held.

Under the MBCA, directors may be removed with or without cause unless the corporation's articles of incorporation provides otherwise. Since the Company's Restated Articles of Incorporation contain no contrary provision, the Company's directors are subject to removal by shareholders with or without cause.

### **Shareholder Voting Requirements**

Generally, pursuant to the MBCA, all matters submitted to a vote of the Company's shareholders, are determined by a vote of the holders of shares entitling them to exercise a majority of the voting power of the Company. There are certain key exceptions to this general rule. First, directors are elected by the affirmative vote of a plurality of the vote cast at an election. Second, "supermajority" votes are required under the Restated Articles to amend certain sections of the Restated Articles, or to approve a sale, merger, consolidation or similar transaction (See "Board of Directors; Removal of Directors" above and "Anti-takeover Laws and Charter Provisions" below). Third, the MBCA imposes special voting requirements in connection with certain change of control transactions (See "Anti-Takeover Laws and Charter Provisions" below).

## **Anti-Takeover Laws and Charter Provisions**

The Company is subject to the Michigan “Fair Price” statute (Chapter 7A of the MBCA), which applies to certain “business combinations” such as mergers, substantial sales of assets or securities issuances and liquidation, recapitalization or reorganization plans. Generally, this statute requires, for a business combination with an “interested shareholder” (generally, the holder of 10% or more of a class of a corporation’s voting stock), an advisory statement from the corporation’s board of directors, the approval of holders of 90% of each class of the corporation’s outstanding voting stock and the approval of two-thirds of the holders of each such class other than the interested shareholder. The supermajority voting requirements do not apply where the interested shareholder’s offer meets certain price, form of consideration and procedural requirements designed to make such offers fair to all shareholders or where the board of directors has approved the transaction with respect to a particular interested shareholder prior to the interested shareholder becoming an interested shareholder.

The Company’s Restated Articles of Incorporation also contain certain provisions permitted under Michigan law that may have anti-takeover effect. For example, the Company’s Restated Articles of Incorporation provide rights of refusal to the Company in connection with proposed transfers of shares of Common Stock of the Company. The Restated Articles of Incorporation of the Company also specifically provide for nine directors, divided into three classes of three directors each. The election of classes of directors for staggered three-year terms makes it difficult to force an immediate change in the Board of Directors of the Company, since only one-third of the Board of Directors of the Company would be elected in any one year. In addition: (i) approval of the Board of Directors of the Company and 66-2/3% of all of the outstanding voting shares in the aggregate or (ii) approval by holders of 80% of the outstanding voting shares, in the aggregate, are required to authorize a sale, merger, consolidation or similar transaction concerning the Company. These provisions and limitations will make it more difficult for third parties to acquire control of the Company without the support of the Board of Directors of the Company and a significant percentage of its shareholders. However, these provisions also could deter offers that might be viewed by certain shareholders to be in their best interest.

### **Special Meetings of Shareholders**

The Company’s By-laws provide that a special meeting of shareholders may be called by the Board of Directors of the Company or by shareholders of record holding in the aggregate 10% or more of the outstanding voting stock for any purpose.

### **Director Liability and Indemnification**

The MBCA provides that a Michigan corporation, such as the Company, may indemnify a director, officer, employee or agent of the corporation (an “Indemnitee”) against the Indemnitee’s expenses and judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the corporation) involving the Indemnitee by reason of the fact that the Indemnitee is or was a director, officer, employee or agent of the corporation, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interest of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The MBCA also provides that in derivative actions, a corporation may indemnify a director, officer, employee or agent of the corporation against expenses actually and reasonably incurred by the Indemnitee to the extent that the Indemnitee is successful on the merits or otherwise in any such action, suit or proceeding or in the defense of any claim, issue or matter therein. Under the MBCA, no indemnification shall be made with respect to any claim, issue or matter as to which an Indemnitee shall have been adjudged to be liable to the corporation unless and only to the extent that the court shall determine upon application that, despite the adjudication of liability but in view of all of the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. The MBCA also generally permits the

advancement of reasonable expenses and empowers the corporation to purchase and maintain directors' and officers' insurance.

Article III, Section 8 of the By-laws of the Company contain provisions authorizing indemnification of directors, officers, employees and agents of the Company that are substantially similar to those set forth in the MBCA.

### **Payment of Dividends**

Under the MBCA, a corporation may not make distributions to its shareholders if, after giving effect to the distribution, the corporation would not be able to pay its debts as they 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, unless the corporation's articles of incorporation permit otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution

In addition to the dividend restrictions imposed under the MBCA, the Company and the Bank are subject to certain regulatory restrictions. See "Certain Regulatory Considerations -Payment of Dividends".

### **Charter Amendments**

Under the MBCA, a corporation's articles of incorporation may be amended by the affirmative vote of a majority of the outstanding stock entitled to vote thereon, and a majority of the outstanding stock entitled to vote thereon as a class, subject to such supermajority vote requirements as may be provided for in the corporation's articles of incorporation. Except for certain provisions thereof which are subject to supermajority vote requirements as described above, the Company's Restated Articles of Incorporation may be amended by the affirmative vote of a majority of the outstanding shares of Common Stock.

Under the MBCA, the shareholders or the board of directors of the corporation may adopt, amend or repeal the by-laws unless the articles of incorporation or by-laws of the corporation provide that the power to adopt new by-laws is reserved exclusively to the shareholders or that the by-laws or any particular by-law shall not be altered or repealed by the board of directors. The Company's By-laws provide that they may be amended by a two-thirds' vote of the Board of Directors of the Company or by a majority Company's shareholders.

### **Other Matters**

The Company's Restated Articles of Incorporation contain a provision authorizing shareholder action by less than unanimous written consent, as permitted by the MBCA.

The MBCA provides dissenters' rights of appraisal. The MBCA expressly authorizes shareholders of a Michigan corporation to exercise dissenters' rights with respect to certain amendments to the articles of incorporation of such Michigan corporation which adversely affect the rights of the class of shares held by them. The MBCA expressly permits shareholders to exercise dissenters' rights of appraisal in connection with the sale or exchange of all or substantially all of the property of a Michigan corporation if the shareholder is entitled to vote thereon.

The MBCA provides voting rights with respect to mergers, sales of substantially all of the assets of a corporation and other extraordinary corporate transactions.

## **THE OFFERING**

### **General**

Up to \$1,000,000 annually of the Company's Common Stock is being offered to shareholders residing in the States of Michigan, Florida, Oregon, Georgia, North Carolina, Texas, Virginia, Colorado, Illinois, Oklahoma, South Carolina, Indiana and Washington pursuant to the Huron Community Financial Services, Inc. Automated Dividend Reinvestment Plan (the "Plan"). The Shares have not been registered with the Securities and Exchange Commission ("SEC") pursuant to an exemption for limited offerings under Section 3(b) of the Securities Act of 1933 and Rule 504 of SEC Regulation D thereunder, which provides an exemption for public offerings that do not exceed \$1,000,000 annually. For purposes of calculating the \$1,000,000 annual limit, the Company must aggregate all other sales made pursuant to any other offerings in the preceding 12 month period pursuant to Section 3(b) of the Securities Act of 1933.

Because the Shares have not been registered with the SEC pursuant to the Rule 504 exemption, they are deemed to be "restricted" under the Federal securities laws, which mean they are not freely transferable in the secondary market by plan participants unless certain conditions have been met. In addition, the Company's Articles of Incorporation also impose certain transfer restrictions that are independent of the securities laws. These restrictions are discussed in the section of this offering circular captioned "Description of Capital Stock."

The Shares have not been registered under the Michigan Uniform Securities Act or other applicable state securities laws pursuant to an exemption for transactions with a company's existing shareholders.

The Offering is being made on a "best efforts, no minimum" basis, which means that no one is guaranteeing that any number of the Shares will be sold. All costs and expenses incurred as a result of the Offering will be borne by the Company.

## **Description of the Plan**

The Plan is described in the following questions and answers. The Plan was approved by the Board of Directors of the Company on May 15, 1997, and became effective as of June 1, 1997. The Board of Directors adopted certain amendments to the Plan effective September 25, 2015. All shares of Common Stock issued and to be issued by the Company pursuant to the Plan have been, or will be, when issued, fully paid and nonassessable. The Plan does not guarantee the payment of any future dividends, which will continue to be declared and paid out of funds legally available therefore in the sole discretion of the Company's Board of Directors.

1. *What is the Plan?*

The Plan provides that the Company's eligible shareholders may reinvest their cash dividends automatically in shares of Common Stock.

2. *What is the purpose of the Plan and what are its advantages?*

The Plan offers a convenient and economical way for holders of record of the Company's Common Stock to increase their ownership of shares of Common Stock without incurring brokerage commissions or service charges and without having to pay full dealer mark-ups, if any. The Plan permits fractions of shares to be purchased.

To the extent that shares purchased under the Plan are purchased from the Company from its authorized and unissued shares of Common Stock, the Company will use the proceeds of the sale for working capital or other general corporate purposes.

3. *Who administers the Plan and what reports will participants receive concerning the Plan?*

Huron Community Bank (acting as the “Agent”) administers the Plan. The Agent will send each participant a statement as soon as practicable following each purchase of shares of Common Stock. The Agent will also provide Plan participants with copies of any amendments to the Plan and any offering materials relating to the Plan together with information for reporting dividend income for federal income tax purposes. Shares purchased will be issued and maintained as “book entry”, non-certificated securities of the Company. This means that paper stock certificates for shares purchased will not be issued or sent to participants in order to protect participants from loss, theft or destruction of stock certificates.

All inquiries, notices, requests and other communications by participants concerning the Plan should be sent to the Agent at:

Huron Community Bank  
301 Newman Street  
East Tawas, Michigan 48730

Participants may also contact the Agent by telephone at (989)362-6700.

The Company reserves the right to change the Agent for the Plan at any time and without prior notice to Plan participants. In the event the Agent resigns, the Company will make such other arrangements as it deems appropriate for administration of the Plan.

4. *Who is eligible to participate in the Plan?*

Any shareholder of record of the Company to whom the Company may legally offer and sell shares, in light of such steps as the Company may take from time to time to make such offers and sales) is eligible to participate in the Plan. However, any shareholder owning more than 9.9% of the outstanding shares of Common Stock will not be eligible to participate in the Plan. If any shareholder owns stock which is registered in a different name and wishes to participate in the Plan, he or she must first withdraw his or her shares from “street name” or other registration and register the stock in his or her own name.

In addition, the Company is currently limiting this Offering to shareholders residing in those States which had participants under the Plan as of July 31, 2015, which include the States of Michigan, Florida, Oregon, Georgia, North Carolina, Texas, Virginia, Colorado, Illinois, Oklahoma, South Carolina, Indiana and Washington (collectively, the “Authorized States”). No registration has been made under the securities laws of any of the Authorized States in reliance upon exemptions from registration for sales to existing shareholders and/or isolated transactions. The Company will consider expanding the scope of this offering depending on the level of interest that shareholders residing outside of these States may have in participating in the Plan. In no event will any shareholder residing in a State besides one of the Authorized States be able to participate in the Plan until such time as the Shares have been duly registered for sale in the respective State, or an exemption from such registration has been determined by the Company, with the assistance of counsel, to be available.

5. *How does an eligible stockholder participate?*

Any eligible shareholder may participate in the Plan at any time by completing an authorization card and returning it to the Company. The authorization card will contain instructions to the Agent to use all cash dividends paid on all shares registered in the name of the participant on each subsequent dividend record date to purchase as many whole and fractional shares as possible until such time as the participant withdraws from the Plan. If an authorization card is received later than the record date for a cash dividend, the dividend will be paid to the participant in cash and participation in the Plan will begin as of the next dividend payment date.

A copy of the authorization card, including instructions, is provided with this offering circular.

6. *May participants add their own funds to dividends to purchase more shares under the Plan?*

No. Only cash dividends may be used to purchase shares under the Plan.

7. *When will funds be invested under the Plan?*

Cash dividends will be used to purchase shares of Common Stock on the dividend payment date.

8. *What is the source of shares purchased under the Plan?*

Shares purchased under the Plan will ordinarily come from the authorized and unissued shares of the Common Stock of the Company or from shares held in treasury.

9. *How is the purchase price generally established from time to time under the Plan?*

The price of Common Stock purchased from time to time from the Company with participants' cash dividends will be determined by the Board of Directors in its absolute discretion, and the offering price set by the Board of Directors may have no direct relationship to earnings or fair market value, or any established "market price" for, or actual trades involving, the Company's Common Stock. Solely as one factor in helping to periodically set the purchase price, the Board may, in its absolute discretion, utilize any valuation report of the Company's Common Stock otherwise prepared and delivered for the benefit of the Company by an independent financial advisor experienced in the financial analysis and valuation of financial institutions. Any use of valuation report in this manner is within the discretion of the Board of Directors, which is free to use, or discontinue the use of, such valuation reports in this manner as it sees fit.

Any change in the offering price will be communicated to investors as part of an amendment to this offering circular.

10. *How has the current purchase price of the shares been set?*

The Company's Board of Directors has established the current offering price to be \$50.00 per share, which price shall remain in effect until further notice. The current offering price is set at the value determined pursuant to a valuation report of the Common Stock as of the end of each fiscal year prepared by an independent financial advisor experienced in the financial analysis and valuation of financial institutions. While it has been the Company's practice to engage an independent advisor to conduct an annual valuation of its Common Stock, the Company can make no assurances that it will continue to do so.

The fair market value estimate of the independent financial advisor assumed no specific buyer but rather a hypothetical transaction negotiated by two parties based on the economic considerations outlined in the valuation. The price a particular buyer may pay depends on many variables, including synergies with other operations owned or controlled by the buyer, and, accordingly, the valuation cannot be relied upon to predict a sales price to a particular buyer.

11. *How many shares of common stock will be purchased for a participant?*

The number of shares to be purchased depends on the amount of the participant's dividends and the price paid for the Common Stock. Dividends payable to a participant will be used to purchase as many whole and fractional shares on behalf of the participant as possible. See 5. "*How does an eligible stockholder participate?*"

12. *Are any fees or expenses incurred by participants in the Plan?*

Participants will not be responsible for payment of any brokerage commissions or fees or service charges in connection with the purchase of shares under the Plan whether their shares are newly issued or purchased on the open market.

13. *Will certificates be issued to participants for shares purchased?*

Certificates for shares purchased under the Plan will not be issued to participants. Instead, shares purchased for each participant will be credited to his or her Plan account and held by the Company in "book entry" form.

14. *How does a participant withdraw from the Plan?*

A participant may withdraw from the Plan at any time by notifying the Agent in writing. If a participant's request to withdraw is received by the Agent before a dividend record date, the amount of the dividend which would have otherwise been applied for purchase of Common Stock on the related dividend payment date and all subsequent dividends will be paid to the withdrawing participant in cash unless he or she re-enrolls in the Plan. If the request is received on or after the record date, but before the dividend payment date, shares will be purchased and credited to the participant's Plan account.

An eligible shareholder may again become a participant at any time following his or her withdrawal by following the procedures then in effect for enrollment in the Plan.

15. *What happens if the Company issues a stock dividend, declares a stock split, or has a rights offering?*

Additional shares issued by the Company pursuant to stock dividends and split shares distributed on shares of Common Stock registered under the Plan in the name of the Participant will be credited directly to Participant's Plan account in book-entry form. In the event of a subscription rights offering or a dividend in the form of stock other than Common Stock, such rights or such stock will be mailed directly to a participant in the Plan in the same manner as to holders of Common Stock not participating in the Plan.

16. *Who votes the shares held in the Plan?*

Each participant in the Plan will for all purposes be the record owner of all shares standing in his or her own name, and will have full voting rights as to all those shares.

17. *What is the tax status of reinvested cash dividends and shares of common stock acquired through the Plan?*

Participants are advised to consult their own tax advisors with respect to the tax consequences of their participation in the Plan. The reinvestment of cash dividends does not relieve the participant of any income tax payable on such dividends. In general, the Company believes that stockholders who participate in the Plan will have the same Federal and state income tax consequences, with respect to dividends payable to them, as any other holder of Common Stock. A participant will be treated for Federal income tax purposes as having received, on each dividend payment date, a dividend equal to the full amount of the cash dividend payable with respect to the participant's shares, even though that amount is not actually received by the participant in cash but, instead, is applied to the purchase of additional shares of Common Stock for the participant under the Plan. Each year a participant will receive all required Internal Revenue Federal income tax statements which reflect the dividends paid on shares of Common Stock registered in the participant's name.

Generally, any service fees paid by the Company on a participant's behalf are not subject to income taxes. Also, when the Agent makes open market purchases of Common Stock, the pro-rata share of any

brokerage fees attributable to such purchases will be included in the per-share price. The participant's tax basis for each share is the per-share price.

A participant will not realize any taxable income upon receipt of shares of Common Stock acquired through the Plan. Gain or loss may also be recognized by a participant when shares of Common Stock are sold by the participant after withdrawal from the Plan. The amount of such gain or loss will be the difference between the amount a participant receives for such shares and the purchase cost thereof. The Agent's statements should be retained by the participant to help determine the tax basis of shares of Common Stock acquired through the Plan.

18. *What is the responsibility of the Company and Agent under the Plan?*

Neither the Company nor the Agent shall be liable in administering the Plan for any act done in good faith, or for any good faith omission to act, including, without limitation, any claims of liability: (1) arising out of failure to terminate the participant's participation in the Plan upon such participant's death prior to receipt of notice in writing of such death; (2) with respect to the prices at which shares of Common Stock are purchased under the Plan and the time when such purchases are made (provided, however, that nothing herein shall be deemed to constitute a waiver of any rights that a participant might have under the Securities Exchange Act of 1934 or other applicable State securities laws); and (3) for any fluctuations in the market price after purchase or sale of shares of Common Stock.

19. *Who interprets and regulates the Plan?*

The Board of Directors of the Company reserves the right to interpret and regulate the Plan.

20. *May the Plan be amended or discontinued?*

The Board of Directors of the Company may suspend, amend, or terminate the Plan at any time. Participants will be notified of any such suspension, amendment or termination.

## **FINANCIAL AND OTHER INFORMATION**

Attached hereto as Exhibit 1 are the consolidated financial statements of the Company for and as of the fiscal years ended December 31, 2014 and 2013, and for and as of the fiscal period ended June 30, 2015. Copies of the Company's Restated Articles of Incorporation and its By-laws will also be provided free of charge upon written request to the attention of Jeffrey B. Loomis, President and CEO of Huron Community Bank, 301 Newman Street, East Tawas, Michigan 48730.

In addition, the Company will furnish its shareholders with annual reports containing financial statements and may provide quarterly reports containing such financial statements at the discretion of the Company.

## **LEGAL MATTERS**

Shumaker, Loop & Kendrick, LLP has issued an opinion that the shares of Common Stock offered hereby, when sold and issued as described herein, will be duly and validly issued and outstanding shares of Common Stock

**Financial Statements**

**Plan Authorization Card**