EMCLAIRE FINANCIAL CORP
Form S-1/A
August 01, 2008

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As filed with the Securities and Exchange Commission on August 1, 2008

Registration No. 333-151993

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-effective Amendment No. 1
to
FORM S-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

EMCLAIRE FINANCIAL CORP.

(Exact name of registrant as specified in charter)

Pennsylvania	**6021**	**25-1606091**
(State or other jurisdiction of incorporation or organization)	(Primary SIC Code No.)	(I.R.S. Employer Identification No.)

612 Main Street, Emlenton, Pennsylvania 16373
(724) 867-2311

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

David L. Cox
Chairman of the Board, President and Chief Executive Officer
Emclaire Financial Corp.
612 Main Street, Emlenton, Pennsylvania 16373
(724) 867-2311

(Name, address, including zip code, and telephone number, including area code, of agent for service)
Please send copies of all communications to:

Kevin M. Houlihan, Esquire **Agata S. Troy, Esquire** **Patton Boggs LLP** **2550 M Street, NW** **Washington, D.C. 20037** **(202) 457-6000**	**Martin Meyrowitz, Esquire** **Silver Freedman & Taff, LLP** **3299 K Street, N.W.** **Suite 100** **Washington, D.C. 20007** **(202) 295-4500**

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. ý

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

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

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company ý

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $1.25 per share	$5,115,000	$201.02(2)

(1) Estimated solely for the purpose of calculating the registration fee. Pursuant to Rule 457(c) and (o) under the Securities Act of 1933, as amended, the proposed maximum aggregate offering price has been calculated based upon the average of the high and low prices of shares of Emclaire Financial Corp. common stock on June 26, 2008, as reported on the OTC Bulletin Board.

(2) Previously paid.

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

PROSPECTUS

[Emclaire Logo]

EMCLAIRE FINANCIAL CORP.
Up to 200,000 Shares of Common Stock

We are offering shares of our common stock in connection with the conversion merger of Elk County Savings and Loan Association. Elk County, a Pennsylvania-chartered savings association, will convert from the mutual to the stock form of organization and simultaneously merge with and into our wholly-owned subsidiary, The Farmers National Bank of Emlenton.

We are offering up to 200,000 shares of common stock for sale on a best efforts basis. We must sell a minimum of $1,955,000 of our common stock in order to complete the offering.

The actual purchase price per share cannot currently be determined because it will be equal to 85% of the average last sales price, or average of the closing bid and asked quotations, if there is no last sales price, of our common stock on the OTC Bulletin Board for the ten trading days ending the day before the closing of the conversion merger. For the ten trading days ending on August , 2008, the average of the last sales price for a share of our common stock was $. If that price was the average market price for the ten trading days ending on the day before the closing of the conversion merger, the actual purchase price would be $. The actual purchase price may differ materially from this example. Based solely on these estimates, we are making the following offering of our common stock:

	Minimum		Maximum	
Number of shares offered:			200,000	
	Per Share	**Total**	**Per Share**	**Total**
Gross Offering Proceeds		$ 1,955,000		
Estimated Offering Expenses		$ 500,000		
Estimated Net Proceeds		$ 1,455,000		

Our common stock is quoted on the OTC Bulletin Board under the symbol "EMCF."

Keefe, Bruyette & Woods, Inc. will assist us in selling shares of our common stock on a best efforts basis. The minimum dollar amount of shares of common stock that you may purchase is $400. Funds received prior to completion of the offering will be placed in an escrow or other account established specifically for this purpose at the Bank and will earn interest at our passbook savings rate. This offering is expected to expire on [ ], 2008, at [:] [ ].m., Eastern Time, unless it is extended, up to [ ], 2008.

Investing in our common stock involves risk. See "Risk Factors" beginning on page 6 of this prospectus.

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Pennsylvania Department of Banking nor any state securities regulator has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

For assistance, please contact the Stock Information Center at: (877) 298-6520 from 8:30 a.m. to 5:30 p.m., Eastern Time.

The date of this prospectus is [ ], 2008.

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SUMMARY

This summary highlights selected information from this prospectus and may not contain all the information that is important to you. To understand the stock offering fully, you should read the entire prospectus carefully, including the "Risk Factors" section beginning on page 5, and our consolidated financial statements and the notes to the consolidated financial statements contained in this prospectus, before making an investment decision.

Unless otherwise stated in this prospectus, references to "we," "us," "our," "Emclaire," the "Company," or the "Corporation" refer to Emclaire Financial Corp., references to the "Bank" refer to The Farmers National Bank of Emlenton and references to "Elk County" refer to Elk County Savings and Loan Association. The Agreement and Plan of Conversion Merger, dated as of May 22, 2008, by and among Emclaire, the Bank and Elk County is referred to as the "Agreement." The Plan of Conversion Merger of Elk County with the Bank, dated as of May 22, 2008, is referred to as the "Plan of Conversion Merger," or the "Plan."

The Parties

Emclaire Financial Corp.

We are a Pennsylvania corporation and financial holding company that provides a full range of retail and commercial financial products and services to customers in western Pennsylvania through our wholly-owned subsidiary bank, The Farmers National Bank of Emlenton. The Bank also provides investment advisory services through its Farmers National Financial Services division.

The Bank was organized in 1900 as a national banking association and is a financial intermediary whose principal business consists of attracting deposits from the general public and investing such funds in real estate loans secured by liens on residential and commercial property, consumer loans, commercial business loans, marketable securities and interest-earning deposits. The Bank operates through a network of eleven retail branch offices in Venango, Butler, Clarion, Clearfield, Elk and Jefferson counties, Pennsylvania. The Company and the Bank are headquartered in Emlenton, Pennsylvania.

We are a registered financial holding company pursuant to the Bank Holding Company Act of 1956, as amended, or the BHCA. We are subject to regulation and examination by the Federal Reserve Board, or the FRB, under the BHCA. The Bank is subject to examination and comprehensive regulation by the Office of the Comptroller of the Currency, or the OCC, which is the Bank's chartering authority, and the Federal Deposit Insurance Corporation, or the FDIC, which insures customer deposits held by the Bank to the full extent provided by law. The Bank is a member of the Federal Reserve Bank of Cleveland and the Federal Home Loan Bank of Pittsburgh.

At March 31, 2008, we had $322.5 million in total assets, $25.1 million in stockholders' equity, $232.9 million in net loans receivable and $251.5 million in deposits. Our principal executive office is located at 612 Main Street, Emlenton, Pennsylvania 16373. Our telephone number is (724) 867-2311.

Elk County Savings and Loan Association

Elk County is a Pennsylvania-chartered mutual savings association with one office located in Ridgway, Pennsylvania. Elk County was founded in 1925 and provides financing primarily for home ownership and traditional savings opportunities for customers in the counties of Elk, Cameron, McKean, Clearfield and Jefferson, Pennsylvania. Elk County is converting from the mutual to the stock form of ownership and simultaneously merging with and into the Bank. Upon completion of the conversion merger, Elk County will cease to exist.

Elk County is subject to regulation and examination by the Office of Thrift Supervision, or the OTS, and by the Pennsylvania Department of Banking, or the Department.

At March 31, 2008, Elk County had total assets of $10.4 million, retained earnings of $2.4 million, deposits of $8.0 million, and net loans receivable of $7.9 million. Elk County's principal executive office is located at 210 Main Street, Ridgway, Pennsylvania 15853. Their telephone number is (814) 776-6181.

The Offering

In connection with the conversion merger of Elk County, we are offering up to 200,000 shares of our common stock to eligible depositors and borrowers of Elk County and, to the extent shares remain available, to the general public. We must sell a minimum of $1,955,000 of our common stock in order to complete the conversion merger and the offering. Keefe, Bruyette & Woods, Inc. will use its best efforts to assist us in selling the shares of common stock being offered.

The actual purchase price per share cannot currently be determined because it will be equal to 85% of the average last sales price, or average of the closing bid and asked quotations, if there is no last sales price, of our common stock on the OTC Bulletin Board for the ten trading days ending the day before the closing of the conversion merger. For the ten trading days ending on August , 2008, the average of the last sales price for a share of our common stock was $. If that price was the average market price for the ten trading days ending on the day before the closing of the conversion merger, the actual purchase price would be $. The actual purchase price may differ materially from this example. All investors will pay the same purchase price per share. You will not pay a commission to buy shares of common stock in the offering.

We are offering the shares of common stock in a "subscription offering" to the following members of Elk County in the following descending order of priority:

First:	Depositors of Elk County with $50 or more on deposit as of the close of business on December 31, 2006.
Second:	Depositors of Elk County with $50 or more on deposit as of the close of business on [ ], 2008.
Third:	Other depositors and borrowers of Elk County as of the close of business on [ ], 2008.

The required minimum number of shares that must be sold in the offering has been based on an independent valuation of Elk County done by RP Financial, LC.

The subscription offering expires at [:] p.m., Eastern Time, on [ ], 2008, but may be extended to [ ], 2008. You cannot transfer your subscription rights. If you attempt to transfer your rights, you may lose the right to purchase shares of our common stock and may be subject to criminal prosecution and, or, other sanctions.

Shares of common stock not subscribed for in the subscription offering may be offered for sale to the general public in a "community offering," with preference given to our stockholders of record as of , 2008 and natural persons who reside in Elk County, Pennsylvania. The community offering may begin concurrently with, during or promptly after the subscription offering as we may determine at any time. This part of the offering may terminate at any time without notice, but no later than [ ], 2008. We have the right to reject any orders of stock, in whole or in part, in the community offering.

We have described the subscription offering and the community offering in greater detail in the section titled "The Offering and the Conversion Merger The Offering" beginning on page of this prospectus.

The Conversion Merger

Pursuant to the Agreement and the Plan of Conversion Merger, Elk County will convert from a Pennsylvania-chartered mutual savings association to a Pennsylvania-chartered stock savings association. Immediately following Elk County's mutual-to-stock conversion, we will acquire 1,000 shares of common stock of Elk County issued in the conversion for $1.00 in cash, without interest, per share. The 1,000 shares of Elk County common stock will constitute all of Elk County's issued and outstanding shares of common stock. Immediately following our acquisition of Elk County, Elk County will merge with and into the Bank, with the Bank as the resulting institution.

Reasons for the Offering and the Conversion Merger

Our primary reasons for the offering and the conversion merger are to:

- issue stock and raise capital to support our future growth;
- consolidate and expand our market presence in Ridgway, Pennsylvania;
- improve our overall competitive position; and
- provide additional financial resources to pursue future acquisition and branching opportunities.

Other than the acquisition of Elk County, we have no current arrangements to acquire other financial institutions.

Elk County has historically faced significant challenges with respect to generating sufficient earnings from its operations and expects to continue to face significant earnings challenges in the future, absent a transaction such as the conversion merger. Since Elk County does not have the size and financial resources to compete and operate profitably, Elk County's board of directors explored various options for Elk County that it believed were in the best interests of Elk County and its members.

Specifically, Elk County's board of directors determined that Elk County would not be able to convert to stock form on a stand alone basis due to the size of Elk County, the lack of profitability and the local market conditions. As a result, Elk County's board determined to pursue a strategic alliance and believed that an in-market partner would be the best fit. Due to the presence of a Bank branch in Ridgway and the Bank's operating culture, Elk County contacted the Bank in the spring of 2007 to gauge the Bank's interest in a merger transaction. Based upon favorable discussions between Elk County and Emclaire during the summer of 2007, the parties pursued the permissibility of such a transaction with the Office of Thrift Supervision and the Pennsylvania Department of Banking. The correspondence with these regulatory agencies continued through the fall of 2007 and the early part of 2008. In connection with the discussions with the Office of Thrift Supervision and the Pennsylvania Department of Banking, Elk County also contacted four mutual savings institutions closest to Elk County concerning a mutual to mutual merger. None of the institutions contacted expressed any interest in a mutual to mutual merger and the transaction with Emclaire remained the best viable opportunity for Elk County. Based on the discussions between the parties as well as discussions and correspondence with the Office of Thrift Supervision and the Pennsylvania Department of Banking, Elk County, Emclaire and the Bank determined to proceed with the conversion merger in May 2008. Such conclusions by Elk County's board of directors were not based on any order or determination by the Office of Thrift Supervision or the Pennsylvania Department of Banking. While the members of Elk County were not involved in these initial determinations by the Elk County board of directors, the conversion merger is subject to approval by the members of Elk County.

Elk County's primary reasons for the conversion merger are as follows:

- limited options on a stand alone basis;

- eliminate growth and earnings pressure;
- reduction of operating expenses;
- the presence of a Bank branch in Ridgway;
- expanded services offered by the Bank; and
- the opportunity for Elk County's customers to purchase Emclaire's common stock at a below market price.

Conditions to Complete the Offering and the Conversion Merger

We cannot complete the offering and the conversion merger unless:

- the members of Elk County approve the conversion merger pursuant to a proxy statement of which this prospectus is a part;
- we receive all required regulatory approvals from the government agencies that regulate Emclaire, the Bank and Elk County; and
- we sell at least $1,955,000 of our common stock.

We have described the conditions to complete the conversion merger in greater detail on page of this prospectus.

The Amount of Stock You May Purchase

The minimum dollar amount of shares of our common stock that you may purchase is $400, provided sufficient shares are available.

Any person, by himself or herself, or with an associate or group of persons acting in concert, may not purchase more than $250,000 of common stock.

For further discussion of the purchase limits and definitions of "associate" and "acting in concert," see "The Offering Limitations on Purchases of Common Stock" on page of this prospectus.

How We Intend to Use the Proceeds from the Offering

We estimate that our net proceeds from the sale of the common stock in this offering will be approximately $1.5 million and $3.9 million at the minimum and maximum of the offering, respectively, after deducting estimated offering expenses payable by us of $500,000, including the fees payable to the investment banking firm assisting us with the offering. We intend to use the proceeds to support future loan and asset growth and for general corporate purposes. See "Use of Proceeds."

Market for Common Stock

Our common stock will continue to be quoted on the OTC Bulletin Board under the symbol "EMCF." See "Stock and Dividend Information."

Dividend Policy

We have traditionally paid a regular quarterly cash dividend on our common stock. The most recent quarterly dividend that we declared was $0.32 per share and was paid on June 20, 2008. The dividend rate and the continued payment of dividends will depend on a number of factors, including regulatory capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. No assurance can be given that we will continue to pay dividends or that dividends will not be reduced in the future.

Tax Consequences

As a general matter, the conversion merger will not be a taxable transaction for federal or state income tax purposes to Emclaire, the Bank, Elk County or persons who receive or exercise subscription rights.

Management After the Conversion Merger

Upon the consummation of the conversion merger, Elk County will cease to exist. The directors and the executive officers of the resulting institution in the merger of Elk County with and into the Bank will be the directors and executive officers of the Bank immediately prior to the conversion merger.

Proposed Stock Purchases by Directors and Executive Officers of Emclaire and Elk County

The directors and executive officers of Elk County propose to purchase approximately [ ] shares of Emclaire common stock in the offering. We expect our directors and executive officers to purchase [ ] shares of common stock. All directors and executive officers will pay the same per share purchase price as all other persons who purchase shares of common stock in the offering. Our directors and executive officers may purchase shares in the subscription offering only if they are eligible depositors or borrowers of Elk County. Otherwise, to the extent shares of Emclaire common stock remain available, such individuals intend to purchase shares in the community offering.

Interests of Elk County Management and Board of Directors

Elk County's directors and officers have interests in the conversion merger as individuals which are in addition to, or different from, their interests as members of Elk County. These interests are as follows:

- appointment of all Elk County directors to an advisory board of Emclaire;
- indemnification by Emclaire of current and former directors and officers;
- healthcare payments to the three employees of Elk County;
- retention bonuses to the three employees of Elk County, to the extent that the particular employee is still employed at the closing of the conversion merger;
- payment of retirement benefits; and
- payment of consulting fees to the Manager of Elk County for a period of six months subsequent to the closing of the conversion merger.

The board of directors of Elk County was aware of the foregoing interests and considered them, among other matters, in approving the conversion merger. For further discussion of the interests of Elk County's directors and officers, see "The Offering and the Conversion Merger The Merger Interests of Certain Persons in the Conversion Merger" beginning on page of this prospectus.

How You Can Obtain Additional Information

If you have any questions regarding the conversion merger or the offering, please call the Stock Information Center at (877) 298-6520 from 8:30 a.m. to 5:30 p.m., Eastern Time..

RISK FACTORS

In addition to the other information set forth in this prospectus, you should consider carefully the following risk factors in evaluating an investment in the shares of Emclaire common stock.

Risks Related to Our Business

Deterioration of Economic Conditions in our Geographic Market Area Could Hurt Our Business

We are located in western Pennsylvania and our loans are concentrated in Venango, Clarion and Butler Counties, Pennsylvania. Although we have diversified our loan portfolio into other Pennsylvania counties, and to a very limited extent, into other states, the vast majority of our loans remain concentrated in the three primary counties. As a result of this geographic concentration, our financial results depend largely upon economic and real estate market conditions in these areas. Deterioration in economic or real estate market conditions in our primary market areas could have a material adverse impact on the quality of our loan portfolio, the demand for our products and services, and our financial condition and results of operations.

Future Changes in Interest Rates Could Negatively Affect Our Financial Performance

By nature, all financial institutions are impacted by changing interest rates. Among other issues, changes in interest rates may affect the following:

- the demand for new loans;
- the value of our interest-earning assets;
- prepayment speeds experienced on various asset classes, particularly residential mortgage loans;
- credit profiles of existing borrowers;
- rates received on loans and securities;
- our ability to obtain and retain deposits in connection with other available investment alternatives; and
- rates paid on deposits and borrowings.

Significant fluctuations in interest rates may have an adverse effect upon our financial condition and results of operations. The rates that we earn on our assets and the rates that we pay on our liabilities are generally fixed for a contractual period of time. We, like many financial institutions, have liabilities that generally have shorter contractual maturities than our assets. This imbalance can create significant earnings volatility, because market interest rates change over time. In a period of rising interest rates, the interest income earned on our assets may not increase as rapidly as the interest paid on our liabilities. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Emclaire Market Risk Management" on page .

In addition, changes in interest rates can also affect the average life of our loans and mortgage-backed and related securities. A reduction in interest rates results in increased prepayments of loans and mortgage-backed and related securities, as borrowers refinance their debt in order to reduce their borrowing cost. This causes reinvestment risk. This means that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities.

We Operate in a Highly Regulated Environment and We May Be Adversely Affected By Any Changes in Laws and Regulations

We are subject to extensive regulation, supervision and examination by federal, state and local governmental authorities, including the Federal Reserve Board and the Office of the Comptroller of the Currency. Any change in the laws or regulations applicable to us, or in the federal or state banking regulators' supervisory policies or examination procedures could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We May Suffer Losses in Our Loan Portfolio Despite Our Underwriting Practices

A significant source of risk arises from the possibility that we could incur losses because borrowers, guarantors, and related parties may fail to perform in accordance with the terms of their loans. We have adopted underwriting and credit monitoring procedures and credit policies, including the establishment and review of the allowance for loan losses, that management believes are appropriate to control this risk by assessing the likelihood of non-performance, tracking loan performance, and diversifying the credit portfolio. Such policies and procedures may not, however, prevent unexpected losses that could have a material adverse effect on our financial condition or results of operations. Unexpected losses may arise from a wide variety of specific or systemic factors, many of which are beyond our ability to predict, influence, or control.

There Are Increased Risks Involved With Commercial Real Estate and Commercial Business and Consumer Lending Activities

Our lending activities include loans secured by commercial real estate. Commercial real estate lending generally is considered to involve a higher degree of risk than single-family residential lending due to a variety of factors, including generally larger loan balances and the dependency on successful operation of the project for repayment. Our lending activities also include commercial business loans to small to medium business, which generally are secured by various equipment, machinery and other corporate assets, and a wide variety of consumer loans, including home equity and second mortgage loans, automobile loans and unsecured loans. Although commercial business loans and consumer loans generally have shorter terms and higher interest rates than mortgage loans, they generally involve more risk than mortgage loans because of the nature of, or in certain cases the absence of, the collateral which secures such loans.

Our Allowance for Loan Losses on Loans May Not Be Adequate to Cover Probable Losses

We have established an allowance for loan losses that we believe is adequate to offset probable losses on our existing loans. There can be no assurance that any future declines in real estate market conditions, general economic conditions or changes in regulatory policies will not require us to increase our allowance for loan losses, which could adversely affect our results of operations.

Strong Competition Within Our Market Area May Limit Our Growth and Profitability

Competition in the banking and financial services industry is intense. In our market area, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, and other financial intermediaries operating locally and elsewhere. Some of our competitors have greater name recognition and market presence that benefits them in attracting business and offer certain services that we do not provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do, which could affect our ability to grow and remain profitable on a long term basis. Our profitability depends upon our continued ability to successfully compete in our market area.

Risks Related to the Stock Offering and the Conversion Merger

You May Not Be Able to Sell Your Shares When You Desire, At or Above Our Offering Price

Publicly traded stocks have recently experienced substantial market price volatility. This is due, in part, to investors' shifting perceptions of the effect on various industry sectors of changes and potential changes in the economy. Volatility, therefore, may be unrelated to the current operating performance of particular companies whose shares are traded. The per share purchase price of the shares of Emclaire common stock that you purchase in the offering will be equal to 85% of the average last sales price, or average of the closing bid and asked quotations, if there is no last sales price, of our common stock on the OTC Bulletin Board for the ten trading days ending the day before the closing of the conversion merger. Our trading price of our common stock is determined by the marketplace. After you purchase the shares of common stock in the offering, the stock's trading price will continue to fluctuate due to many factors, including prevailing interest rates, other economic conditions, our operating performance and investor perceptions of the outlook of Emclaire and the banking industry in general. Therefore, we cannot assure you that if you choose to sell the shares of common stock that you purchased in the stock offering, you will be able to sell your shares at or above the per share purchase price.

We Cannot Guarantee the Maintenance of an Established Trading Market for Our Securities

Although our common stock is quoted on the OTC Bulletin Board, a regular trading market for the securities may not be sustained in the future. The OTC Bulletin Board is an inter-dealer, over-the-counter market that provides significantly less liquidity than the national securities exchanges such as the NASDAQ Stock Market. Quotes for stocks on the OTC Bulletin Board are not listed in the financial sections of newspapers, and newspapers generally have very little coverage of stocks quoted solely on the OTC Bulletin Board. Accordingly, prices for and coverage of securities quoted solely on the OTC Bulletin Board may be difficult to obtain. In addition, securities quoted solely on the OTC Bulletin Board tend to have a limited number of market makers and a larger spread between the bid and ask prices than those listed on a national securities exchange. All of these factors may cause holders of our common stock to be unable to resell their securities at or near their original offering price or at any price.

You May Not Be Able to Profit from the Sale or a Merger of Emclaire Because of Provisions in Our Charter Documents and Other Laws and Regulations

Our articles of incorporation and bylaws contain provisions that may make it difficult for someone to acquire control of the Company. These provisions may discourage takeover attempts and prevent you from receiving a premium over the market price of your shares as part of a takeover. See "Restrictions on Acquisition of Emclaire."

Purchasers of Our Common Stock Will Experience Immediate Dilution

If you purchase shares of our common stock in this offering, and we sell 200,000 shares of our common stock, you will experience immediate dilution of $2.28 per share in the book value of your investment, since our net book value per share will be approximately $19.72, compared with an assumed offering price of $22.00 per share. See "Dilution."

All Orders For Our Common Stock Are Irrevocable

Once tendered, orders for our common stock in the offering may not be revoked without our consent. Since we will not establish the purchase price for our common stock to be sold in the offering until the day before the closing of the conversion merger, the purchase price may be higher or lower than the market price of our common stock on the day you placed your order.

SELECTED CONSOLIDATED FINANCIAL DATA OF EMCLAIRE
(Dollar Amounts in Thousands, Except Per Share Data)

The following tables present our selected consolidated financial data as of or for the three months ended March 31, 2008 and as of or for each of the five years ended December 31, 2007. Financial data as of or for each of the five years ended December 31, 2007 is derived from our audited Consolidated Financial Statements. Financial data as of or for the three months ended March 31, 2008 and 2007 is derived from our unaudited Consolidated Financial Statements, which in the opinion of management, include all normal recurring adjustments necessary for a fair presentation of the results for such periods. You should read this information in conjunction with our historical Consolidated Financial Statements, including the related notes, included elsewhere in this prospectus. Results for the three months ended March 31, 2008 are not necessarily indicative of our expected results for the full year ending December 31, 2008.

	As of March 31,		As of December 31,				
Financial Condition Data	**2008**	**2007**	**2007**	**2006**	**2005**	**2004**	**2003**
	(unaudited)						
Total assets	$ 322,522	$ 300,055	$ 311,720	$ 300,560	$ 275,517	$ 273,380	$ 262,512
Securities	55,078	57,044	51,919	51,774	56,304	63,362	49,162
Loans receivable, net	232,863	212,933	229,819	213,344	192,526	179,575	190,482
Deposits	251,531	243,471	244,262	244,492	230,503	232,874	217,110
Borrowed funds	43,757	30,000	40,400	30,000	19,500	15,000	20,700
Stockholders' equity	25,086	24,069	24,703	23,917	23,615	23,616	22,655
Stockholders' equity per common share	$ 19.79	$ 18.98	$ 19.48	$ 18.86	$ 18.63	$ 18.63	$ 17.87
Tangible stockholders' equity per common share	$ 18.66	$ 17.86	$ 18.36	$ 17.74	$ 17.50	$ 17.48	$ 16.70

	For the three months ended March 31,		For the year ended December 31,				
Operations Data	**2008**	**2007**	**2007**	**2006**	**2005**	**2004**	**2003**
	(unaudited)						
Interest and dividend income	$ 4,520	$ 4,312	$ 17,855	$ 16,259	$ 14,877	$ 13,953	$ 14,209
Interest expense	1,977	2,003	7,886	6,968	5,573	5,219	4,901
Net interest income	2,543	2,309	9,969	9,291	9,304	8,734	9,308
Provision for loan losses	60	45	256	358	205	290	330
Net interest income after provision for loan losses	2,483	2,264	9,713	8,933	9,099	8,444	8,978
Noninterest income	660	730	2,943	2,934	3,317	2,535	1,785
Noninterest expense	2,413	2,310	9,164	9,409	9,146	7,909	7,522
Income before income taxes	730	684	3,492	2,458	3,270	3,070	3,241
Provision for income taxes	171	133	795	492	697	513	749
Net income	$ 559	$ 551	$ 2,697	$ 1,966	$ 2,573	$ 2,557	$ 2,492
Average common shares outstanding	1,267,835	1,267,835	1,267,835	1,267,835	1,267,835	1,267,835	1,301,714
Basic and diluted earnings per share	$ 0.44	$ 0.43	$ 2.13	$ 1.55	$ 2.03	$ 2.02	$ 1.91

	For the three months ended March 31,		For the year ended December 31,				
Dividends per share(1)	$ 0.32	$ 0.29	$ 1.54	$ 1.10	$ 1.02	$ 0.94	$ 1.11

Other Data	As of or for the three months ended March 31, 2008(4)	2007(4)	As of or for the year ended December 31, 2007	2006	2005	2004	2003
	(unaudited)						
Performance Ratios							
Return on average assets	0.73%	0.75%	0.90%	0.69%	0.94%	0.96%	0.99%
Return on average equity	9.05%	9.36%	11.13%	8.28%	10.69%	11.08%	10.96%
Yield on interest-earning assets(2)	6.49%	6.43%	6.55%	6.30%	6.00%	5.81%	6.28%
Cost of interest-bearing liabilities	3.40%	3.54%	3.46%	3.23%	2.70%	2.57%	2.56%
Cost of funds	2.85%	2.97%	2.89%	2.69%	2.24%	2.15%	2.16%
Interest rate spread(2)	3.09%	2.89%	3.09%	3.08%	3.30%	3.24%	3.72%
Net interest margin(2)	3.69%	3.52%	3.73%	3.68%	3.82%	3.71%	4.18%
Efficiency ratio(2)(3)	73.02%	74.73%	68.66%	74.18%	69.72%	67.11%	64.16%
Noninterest expense to average assets	3.17%	3.13%	3.06%	3.30%	3.33%	2.96%	2.99%
Interest-earning assets to average assets	93.53%	93.09%	93.13%	92.89%	92.82%	92.86%	92.69%
Loans to deposits	92.58%	87.46%	94.09%	87.26%	83.52%	77.11%	87.74%
Dividend payout ratio(1)	72.64%	66.73%	72.39%	70.93%	50.25%	46.61%	57.98%
Asset Quality Ratios							
Non-performing loans to total loans	0.36%	0.92%	0.41%	0.85%	0.75%	0.46%	0.69%
Non-performing assets to total assets	0.30%	0.66%	0.35%	0.65%	0.57%	0.33%	0.52%
Allowance for loan losses to total loans	0.94%	0.97%	0.93%	0.94%	0.96%	1.00%	0.92%
Allowance for loan losses to non-performing loans	259.53%	104.95%	226.58%	110.54%	128.72%	215.48%	133.71%
Capital Ratios							
Stockholders' equity to assets	7.78%	8.02%	7.92%	7.96%	8.57%	8.64%	8.63%
Tangible stockholder's equity to tangible assets	7.37%	7.55%	7.50%	7.52%	8.09%	8.15%	8.11%
Average equity to average assets	8.10%	7.97%	8.08%	8.32%	8.75%	8.63%	9.02%

(1) Includes special cash dividends of $0.35 per share and $0.25 per share paid in 2007 and 2003, respectively.

(2) Interest income utilized in calculation is on a fully tax equivalent basis.

(3) The efficiency ratio is calculated by dividing noninterest expense (less intangible amortization) by net interest income (on a fully tax equivalent basis) and noninterest income. The efficiency ratio gives a measure of how effectively a financial institution is operating.

(4) Where applicable, ratios have been annualized.

OVERVIEW OF ELK COUNTY

Elk County is a Pennsylvania-chartered mutual savings association with one office located in Ridgway, Pennsylvania. Elk County was founded in 1925 and provides financing primarily for home ownership and traditional savings opportunities for customers in the counties of Elk, Cameron, McKean, Clearfield and Jefferson, Pennsylvania. Elk County is converting from the mutual to the stock form of ownership and simultaneously merging with and into the Bank. Upon completion of the conversion merger, Elk County will cease to exist.

Elk County is subject to regulation and examination by the Office of Thrift Supervision, or the OTS, and by the Pennsylvania Department of Banking, or the Department.

At March 31, 2008, Elk County had total assets of $10.4 million, retained earnings of $2.4 million, deposits of $8.0 million, and net loans receivable of $7.9 million. Elk County's principal executive office is located at 210 Main Street, Ridgway, Pennsylvania 15853. Their telephone number is (814) 776-6181.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Such statements are based upon current expectations and involve risks and uncertainties. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations, are generally identifiable by the use of words or phrases such as "believe," "plan," "expect," "intend," "anticipate," "estimate," "project," "forecast," "may increase," "may fluctuate," "may improve" and similar expressions of future or conditional verbs such as "will," "should," "would," and "could." These forward-looking statements relate to, among other things, expectations of the business environment in which we operate, projections of future performance, potential future credit experience, perceived opportunities in the market and statements regarding our mission and vision.

Our actual results, performance and achievements, following completion of the conversion merger and the offering, may differ materially from the results, performance, and achievements expressed or implied in such forward-looking statements due to a wide range of factors. These factors include, but are not limited to:

- governmental approvals of the conversion merger may not be obtained;
- the members of Elk County may fail to approve the conversion merger;
- changes in interest rates;
- general economic conditions;
- the local economy;
- the demand for our products and services;
- accounting principles or guidelines;
- legislative and regulatory changes;
- monetary and fiscal policies of the U.S. Government, U.S. Treasury, and Federal Reserve;

real estate markets;

competition in the financial services industry;

attracting and retaining key personnel;

performance of new employees;

regulatory actions;

changes in and utilization of new technologies; and

other risks detailed in the reports that we file with the Securities and Exchange Commission from time to time.

These factors and those discussed under "Risk Factors" should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements. We do not undertake, and specifically disclaim any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

USE OF PROCEEDS

The following table sets forth the calculation of our net proceeds at the minimum and maximum of the offering.

	Minimum (88,864 shares sold)(1)	**Maximum (200,000 shares sold)(1)**
Gross offering proceeds	$ 1,955,000	$ 4,400,000
Estimated expenses of the offering	500,000	500,000
Net proceeds to us	$ 1,455,000	$ 3,900,000

(1) Assumes an offering price of $22.00 per share.

We will use the net proceeds from the offering to support future loan and asset growth, to expand our business operations and for general corporate purposes.

STOCK AND DIVIDEND INFORMATION

Listings and Markets

Our common stock is quoted on the OTC Bulletin Board under the symbol "EMCF." The listed market makers for our common stock include:

Ferris, Baker Watts, Inc.
100 Light Street, 8th Floor
Baltimore, MD 21202
Telephone: (800) 638-7411

Boenning and Scattergood
4 Tower Bridge, Suite 300
200 Bar Harbor Drive
West Conshonhocken, PA 19428
Telephone: (610) 862-5360

Parker Hunter, Inc.
600 Grant Street, Suite 3100
Pittsburgh, PA 15219
Telephone: (412) 562-8000

Stock Price and Cash Dividend Information

The following table sets forth the high and low sale and quarter-end closing market prices of our common stock as quoted on the OTC Bulletin Board, as well as cash dividends paid for the quarterly periods presented. The over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	Market Price			Per Share Cash Dividend
	High	Low	Close	
2008:				
Second quarter through August , 2008	$	$	$	$ 0.32
First quarter	28.35	24.55	26.50	0.32
2007:				
Fourth quarter	$ 28.25	$ 25.20	$ 25.75	$ 0.67
Third quarter	27.75	25.00	25.60	0.29
Second quarter	27.00	23.50	25.25	0.29
First quarter	31.00	26.75	27.25	0.29
2006:				
Fourth quarter	$ 30.00	$ 25.30	$ 29.25	$ 0.29
Third quarter	29.00	25.00	25.90	0.27
Second quarter	29.00	25.75	27.00	0.27
First quarter	27.25	25.05	26.00	0.27

The per share closing price of our common stock on May 23, 2008, the last trading day preceding public announcement of the transaction, was $26.95. On August , 2008, the last reported per share closing price of our common stock was $.

Number of Stockholders and Shares Outstanding

As of August , 2008, there were approximately 679 stockholders of record and 1,267,835 shares of common stock entitled to vote, receive dividends and considered outstanding for financial reporting purposes. The number of stockholders of record does not include the number of persons or entities who hold their stock in nominee or "street" name.

Dividend Policy

We have traditionally paid regular quarterly cash dividends. Future dividends will be determined by our board of directors after giving consideration to the Company's financial condition, results of operations, tax status, industry standards, economic conditions and other factors. Dividends will also depend upon the receipt of dividends from the Bank, which is our primary source of income. The Bank is subject to certain regulatory restrictions that may limit its ability to pay dividends to us. See "Supervision and Regulation Dividends and Other Transfers of Funds."

Dividend Reinvestment and Stock Purchase Plan

Common stockholders may have Company dividends reinvested to purchase additional shares. Participants may also make optional cash purchases of common stock through this plan and pay no brokerage commissions or fees.

CAPITALIZATION

Set forth below is the historical capitalization of Emclaire and Elk County as of March 31, 2008, and the pro forma capitalization of Emclaire after giving effect to the conversion merger and the offering. The table also gives affect to the assumptions set forth under "Pro Forma Data." This information should be read in conjunction with our Consolidated Financial Statements and the related notes included elsewhere in this prospectus.

	As of March 31, 2008 (Actual)		Pro Forma Combined(1)	
	Emclaire	**Elk County**	**Minimum**	**Maximum**
(Dollars in thousands)				
Deposits	$ 251,531	$ 8,020	$ 259,578	$ 259,578
Borrowings:				
Long-term	35,000		35,000	35,000
Short-term	8,757		8,757	8,757
Total deposits and borrowings	$ 295,288	$ 8,020	$ 303,335	$ 303,335
Stockholders' equity/Retained earnings				
Common stock	$ 1,745	$	$ 1,834	$ 1,945
Additional paid-in capital	10,923		12,289	14,623
Treasury stock	(2,653)		(2,653)	(2,653)
Retained earnings	15,267	2,378	16,900	16,900
Accumulated other comprehensive income (loss)	(196)	4	(196)	(196)
Total stockholders' equity/Retained earnings	$ 25,086	$ 2,382	$ 28,173	$ 30,876

(1) Pro forma total deposits and borrowings reflect a $27,000 premium on deposits based on Elk County's December 31, 2007 audited financial statements. Pro forma total stockholders' equity/retained earnings reflects additional common stock and paid-in-capital from the offering, and the net effect of purchase accounting entries, including the elimination of negative goodwill.

DILUTION

At March 31, 2008, Emclaire had a net tangible book value of approximately $23.7 million, or $18.66 per share. Net tangible book value per share represents the amount of Emclaire's stockholders' equity, less intangible assets, divided by 1,267,835 shares of common stock, which was the number of shares of common stock outstanding at March 31, 2008. Dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma net tangible book value per share of common stock immediately after completion of the offering. After (i) giving effect to the sale by Emclaire of 88,864 and 200,000 shares in this offering at the minimum and maximum, respectively, at an assumed offering price of $22.00 per share, and (ii) deducting the placement agent fees and estimated offering expenses totaling $500,000, the pro forma net book value of Emclaire at March 31, 2008, would have been approximately $26.8 million, or $19.72 per share at the minimum and $29.2 million or $19.89 per share at the maximum. At the minimum of the offering, this represents an immediate increase in pro forma net book value of $1.05 per share to existing shareholders and an immediate dilution of $2.28 per share to investors. At the maximum of the offering, this represents an immediate increase in pro forma net book value of $1.23 per share to existing shareholders and an immediate dilution of $2.11 per share to investors. The following table illustrates this per share pro forma impact:

		Minimum		Maximum
Public offering price per share		$ 22.00		$ 22.00
Net book value per share at March 31, 2008	$ 18.66		$ 18.66	
Pro forma increase per share attributable to new investors(1)	1.05		1.23	
Pro forma net book value per shareholder after this offering		19.71		19.89
Pro forma dilution per share to new investors		$ 2.29		$ 2.11

(1) This represents a 5.6% and 6.6% accretion per share to existing Emclaire shareholders.

PRO FORMA DATA

Our actual net proceeds from the sale of our shares of common stock in this offering cannot be determined until the conversion merger and the offering are complete. However, we estimate that we will receive net proceeds from this offering of approximately $1.5 million and $4.3 million, at the minimum and maximum of the offering, respectively, after deducting estimated offering expenses payable by us of $500,000.

The following table sets forth our and Elk County's historical net earnings and stockholders' equity/retained earnings prior to the conversion merger and the offering, and the pro forma combined consolidated net earnings and stockholders' equity of Emclaire after completion of the transaction. In preparing these tables and in calculating pro forma data, the following assumptions were made:

- All shares of common stock will be sold in the offering at $22.00 per share.

- The pro forma combined data has been prepared based on the purchase method of accounting under United States generally accepted accounting principles. Under purchase accounting, the assets and liabilities of Elk County, after completion of the conversion merger, will be recorded at their respective fair values and added to those of the Bank and included in the consolidated financial statements of Emclaire. See "The Offering and the Conversion Merger The Conversion Accounting Consequences."

- Pro forma earnings have been calculated assuming the shares of common stock had been sold at the beginning of the period and the net proceeds had been invested at an average yield of 4.75% for the three months ended March 31, 2008 and the year ended December 31, 2007.

- The pro forma after-tax yield on the net proceeds is assumed to be 3.14% for the three months ended March 31, 2008 and for the year ended December 31, 2007, based on an effective tax rate of 34%.

- No effect has been given to the withdrawals from deposit accounts of either Elk County or the Bank to purchase shares in the offering.

- Historical per share amounts have been calculated by dividing historical amounts by 1,267,835 shares of common stock.

Pro forma per share amounts have been calculated by dividing pro forma amounts by 1,356,699 and 1,467,835 shares of common stock, which represents the pro forma total outstanding shares of Emclaire common stock after the sale of shares at the minimum and maximum of the offering, respectively.

Pro forma stockholders' equity amounts have been calculated as if the stock had been sold on March 31, 2008 and December 31, 2007, respectively, and, accordingly, no effect has been given to the assumed earnings effect of the transaction.

The following pro forma data relies on the assumptions that are outlined above, and this data does not represent the fair market value of the common stock, the current value of assets or liabilities, or the amount of money that would be distributed to stockholders if we were liquidated. The pro forma data does not predict how much we will earn in the future.

	As of or For the Three Months Ended March 31, 2008		**As of or For the Year Ended December 31, 2007**	
	(Dollars in Thousands, except per share data)			
	Minimum	**Maximum**	**Minimum**	**Maximum**
Gross offering proceeds				
Less: Estimated offering expenses	$ 1,955	$ 4,400	$ 1,955	$ 4,400
Estimated net offering proceeds	(500)	(500)	(500)	(500)
	$ 1,455	$ 3,900	$ 1,455	$ 3,900
Net Earnings:				
Historical Emclaire	$ 559	$ 559	$ 2,697	$ 2,697
Historical Elk County	(9)	(9)	27	27
Historical combined	$ 550	$ 550	$ 2,724	$ 2,724
Pro forma net earnings from proceeds	11	31	46	122
Purchase accounting effect on earnings(1)	(2)	(2)	(10)	(10)
Pro forma combined net earnings	$ 559	$ 579	$ 2,760	$ 2,836
Basic Earnings per share:				
Historical Emclaire	$ 0.44	$ 0.44	$ 2.13	$ 2.13
Pro forma combined net earnings per share	$ 0.41	$ 0.39	$ 2.04	$ 1.93
Total Stockholders' Equity/Retained Earnings:				
Historical Emclaire	$ 25,086	$ 25,086	$ 24,703	$ 24,703
Historical Elk County	2,382	2,382	2,388	2,388
Historical combined	$ 27,468	$ 27,468	$ 27,091	$ 27,091
Estimated net offering proceeds	1,455	3,900	1,455	3,900
Purchase accounting effect on equity(1)	(750)	(750)	(750)	(750)
Pro forma combined stockholders' equity	$ 28,173	$ 30,618	$ 27,796	$ 30,241
Per share:				
Historical Emclaire	$ 19.79	$ 19.79	$ 19.48	$ 19.48
Pro forma combined stockholders' equity	$ 20.76	$ 20.86	$ 20.48	$ 20.60

(1) Reflects the estimated net purchase accounting adjustments to be recorded upon closing of the conversion merger. Such adjustments consist of mark-to-market valuation adjustments for assets acquired and liabilities assumed and incurred, and adjustments for intangible assets established, and the resultant amortization and accretion of these adjustments to earnings over the appropriate periods. It is also anticipated that the merger of Elk County with and into the Bank will provide the combined institution with certain financial benefits that include reduced operating expenses and opportunities to earn more revenue. However, the pro forma information does not reflect any of these anticipated cost savings or benefits. Assumes Elk County loans are at a premium of

$131,000; deposits at a premium of $27,000 (both based on December 31, 2007 audited financials statements). Assumes a zero value to core deposits.

BUSINESS OF EMCLAIRE

Business Summary

We are a Pennsylvania corporation and a financial holding company that provides a full range of retail and commercial financial products and services to customers in Western Pennsylvania through our wholly-owned subsidiary, the Bank.

The Bank was organized in 1900 as a national banking association and is a financial intermediary whose principal business consists of attracting deposits from the general public and investing such funds in real estate loans secured by liens on residential and commercial property, consumer loans, commercial business loans, marketable securities and interest-earning deposits. The Bank operates through a network of twelve offices in Venango, Butler, Clarion, Clearfield, Elk, Jefferson and Mercer counties, Pennsylvania. The Company and the Bank are headquartered in Emlenton, Pennsylvania. Farmers National Financial Services, formed in 2004, is a division of the Bank that offers retail brokerage and other investment services to customers in the Bank's market area.

The Bank is subject to examination and comprehensive regulation by the Office of the Comptroller of the Currency, or OCC, which is the Bank's chartering authority, and the Federal Deposit Insurance Corporation, or FDIC, which insures customer deposits held by the Bank to the full extent provided by law. The Bank is a member of the Federal Reserve Bank of Cleveland, or Federal Reserve Bank, and the Federal Home Loan Bank of Pittsburgh, or FHLB. We, as a registered financial holding company, are subject to regulation by the Federal Reserve Board.

At March 31, 2008, we had $322.5 million in total assets, $25.1 million in stockholders' equity, $232.9 million in loans and $251.5 million in deposits.

Lending Activities

General. The principal lending activities of the Bank are the origination of residential mortgage, commercial mortgage, commercial business and consumer loans. Significantly all of the Bank's loans are secured by property in the Bank's primary market area.

One-to-Four Family Mortgage Loans. The Bank offers first mortgage loans secured by one-to-four family residences located in the Bank's primary lending area. Typically such residences are single-family owner occupied units. The Bank is an approved, qualified lender for the Federal Home Loan Mortgage Corporation, or the FHLMC. As a result, the Bank may sell loans to and service loans for the FHLMC in market conditions and circumstances where this is advantageous in managing interest rate risk.

Home Equity Loans. The Bank originates home equity loans secured by single-family residences. These loans may be either a single advance fixed-rate loan with a term of up to 20 years, or a variable rate revolving line of credit. These loans are made only on owner-occupied single-family residences.

Commercial Business and Commercial Real Estate Loans. Commercial lending constitutes a significant portion of the Bank's lending activities. Commercial business and commercial real estate loans amounted to 47.4% of the total loan portfolio at March 31, 2008. Commercial real estate loans generally consist of loans granted for commercial purposes secured by commercial or other nonresidential real estate. Commercial loans consist of secured and unsecured loans for such items as capital assets, inventory, operations and other commercial purposes.

Consumer Loans. Consumer loans generally consist of fixed-rate term loans for automobile purchases, home improvements not secured by real estate, capital and other personal expenditures. The Bank also offers unsecured revolving personal lines of credit and overdraft protection.

Loans to One Borrower. National banks are subject to limits on the amount of credit that they can extend to one borrower. Under current law, loans to one borrower are limited to an amount equal to

15% of unimpaired capital and surplus on an unsecured basis, and an additional amount equal to 10% of unimpaired capital and surplus if the loan is secured by readily marketable collateral. At March 31, 2008, the Bank's loans to one borrower limit based upon 15% of unimpaired capital was $3.5 million. At March 31, 2008, the Bank's largest single lending relationship had an outstanding balance of $5.3 million. Credit granted to this borrower in excess of the legal lending limit is part of the Pilot Program approved by the OCC which allows the Bank to exceed its legal lending limit within certain parameters. The Bank's next largest single lending relationship had an outstanding balance of $4.2 million, which consisted of a loan to a municipality and was not subject to the legal lending limit. The Bank had two additional lending relationships exceeding the legal lending limit totaling $3.9 million and $3.7 million, respectively, at March 31, 2008. Credit granted to these borrowers in excess of the legal lending limit is also part of the Pilot Program. The next largest borrower had loans which totaled $3.5 million and consisted of loans secured by commercial real estate and business property in the Bank's lending area. At March 31, 2008, all of such loans were performing in accordance with their original terms.

Loan Portfolio. The following table sets forth the composition and percentage of our loans receivable in dollar amounts and in percentages of the portfolio as of dates indicated.

			December 31,									
	March 31, 2008		2007		2006		2005		2004		2003	
(Dollar amounts in thousands)	**Dollar Amount**	**%**	**Dollar Amount**	**%**	**Dollar Amount**	**%**	**Dollar Amount**	**%**	**Dollar Amount**	**%**	**Dollar Amount**	**%**
Mortgage loans on real estate:												
Residential first mortgages	$ 65,798	28.0%	$ 65,706	28.3%	$ 64,662	30.0%	$ 66,011	34.0%	$ 69,310	38.2%	$ 76,396	39.7%
Home equity loans and lines of credit	48,892	20.8%	49,426	21.3%	47,330	22.0%	39,933	20.5%	31,548	17.4%	30,316	15.8%
Commercial	73,714	31.4%	71,599	30.9%	61,128	28.4%	52,990	27.3%	48,539	26.8%	44,935	23.4%
Total real estate loans	188,404	80.2%	186,731	80.5%	173,120	80.4%	158,934	81.8%	149,397	82.4%	151,647	78.9%
Other loans:												
Commercial business	37,673	16.0%	35,566	15.3%	34,588	16.0%	27,732	14.2%	23,898	13.2%	26,470	13.8%
Consumer	9,005	3.8%	9,679	4.2%	7,671	3.6%	7,729	4.0%	8,090	4.4%	14,142	7.3%
Total other loans	46,678	19.8%	45,245	19.5%	42,259	19.6%	35,461	18.2%	31,988	17.6%	40,612	21.1%
Total loans receivable	235,082	100.0%	231,976	100.0%	215,379	100.0%	194,395	100.0%	181,385	100.0%	192,259	100.0%
Less:												
Allowance for loan losses	2,219		2,157		2,035		1,869		1,810		1,777	
Net loans receivable	$ 232,863		$ 229,819		$ 213,344		$ 192,526		$ 179,575		$ 190,482	

The following table sets forth the scheduled contractual principal repayments or interest repricing of loans in our portfolio as of March 31, 2008. Demand loans having no stated schedule of repayment and no stated maturity are reported as due within one year.

(Dollar amounts in thousands)	**Due in one year or less**	**Due after one year to five years**	**Due after five years to ten years**	**Due after ten years**	**Total**
Residential mortgages	$ 891	$ 3,911	$ 12,667	$ 48,329	$ 65,798
Home equity loans and lines of credit	324	6,321	16,545	25,702	48,892
Commercial mortgages	2,669	4,989	12,922	53,134	73,714

(Dollar amounts in thousands)	Due in one year or less	Due after one year to five years	Due after five years to ten years	Due after ten years	Total
Commercial business	5,116	9,246	4,164	19,147	37,673
Consumer	447	6,563	1,607	388	9,005
	$ 9,447	$ 31,030	$ 47,905	$ 146,700	$ 235,082

The following table sets forth the dollar amount of our fixed- and adjustable-rate loans with maturities greater than one year as of March 31, 2008.

(Dollar amounts in thousands)	Fixed Rates	Adjustable Rates
Residential mortgage	$ 44,761	$ 20,146
Home equity loans and lines of credit	48,568	
Commercial mortgage	30,139	40,906
Commercial business	26,421	6,136
Consumer	8,398	159
	$ 158,288	$ 67,347

Contractual maturities of loans do not reflect the actual term of our loan portfolio. The average life of mortgage loans is substantially less than their contractual terms because of loan prepayments and enforcement of due-on-sale clauses, which give the Corporation the right to declare a loan immediately payable in the event, among other things, that the borrower sells the real property subject to the mortgage. Scheduled principal amortization also reduces the average life of the loan portfolio. The average life of mortgage loans tends to increase when current market mortgage rates substantially exceed rates on existing mortgages and conversely, decrease when rates on existing mortgages substantially exceed current market interest rates.

Delinquencies and Classified Assets

Delinquent Loans and Real Estate Acquired Through Foreclosure (REO). Typically, a loan is considered past due and a late charge is assessed when the borrower has not made a payment within fifteen days from the payment due date. When a borrower fails to make a required payment on a loan, we attempt to cure the deficiency by contacting the borrower. The initial contact with the borrower is made shortly after the seventeenth day following the due date for which a payment was not received. In most cases, delinquencies are cured promptly.

If the delinquency exceeds 60 days, we work with the borrower to set up a satisfactory repayment schedule. Typically loans are considered non-accruing upon reaching 90 days delinquent, although we may be receiving partial payments of interest and partial repayments of principal on such loans. When a loan is placed in non-accrual status, previously accrued but unpaid interest is deducted from interest income. We institute foreclosure action on secured loans only if all other remedies have been exhausted. If an action to foreclose is instituted and the loan is not reinstated or paid in full, the property is sold at a judicial or trustee's sale at which we may be the buyer.

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value at the date of foreclosure establishing a new cost basis. After foreclosure, management periodically performs valuations and the real estate is carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in loss on foreclosed real estate. The Corporation generally attempts to sell its REO properties as soon as practical upon receipt of clear title. The original lender typically handles disposition of those REO properties resulting from loans purchased in the secondary market.

As of March 31, 2008, our non-performing assets, which include non-accrual loans, loans delinquent due to maturity, troubled debt restructuring, repossessions and REO, amounted to $979,000 or 0.30% of our total assets.

Classified Assets. Regulations applicable to insured institutions require the classification of problem assets as "substandard," "doubtful," or "loss" depending upon the existence of certain characteristics as discussed below. A category designated "special mention" must also be maintained for assets currently not requiring the above classifications but having potential weakness or risk characteristics that could result in future problems. An asset is classified as substandard if not adequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. A substandard asset is characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all the weaknesses inherent in those classified as substandard. In addition, these weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets classified as loss are considered uncollectible and of such little value that their continuance as assets is not warranted.

Our classification of assets policy requires the establishment of valuation allowances for loan losses in an amount deemed prudent by management. Valuation allowances represent loss allowances that have been established to recognize the inherent risk associated with lending activities. When we classify a problem asset as a loss, the portion of the asset deemed uncollectible is charged off immediately.

We regularly review the problem loans and other assets in our portfolio to determine whether any require classification in accordance with the Company's policy and applicable regulations. As of March 31, 2008, our classified and criticized assets amounted to $6.5 million with $3.0 million classified as substandard and $3.5 million identified as special mention.

The following table sets forth information regarding our non-performing assets as of the dates indicated:

		December 31,				
(Dollar amounts in thousands)	**March 31, 2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Non-performing loans	$ 855	$ 952	$ 1,841	$ 1,452	$ 840	$ 1,329
Total as a percentage of gross loans	0.36%	0.41%	0.85%	0.75%	0.46%	0.69%
Repossessions					2	45
Real estate acquired through foreclosure	124	129	98	106	69	
Total as a percentage of total assets	0.04%	0.04%	0.03%	0.04%	0.03%	0.00%
Total non-performing assets	$ 979	$ 1,081	$ 1,939	$ 1,558	$ 911	$ 1,374
Total non-performing assets as a percentage of total assets	0.30%	0.35%	0.65%	0.57%	0.33%	0.52%
Allowance for loan losses as a percentage of non-performing loans	259.53%	226.58%	110.54%	128.72%	215.48%	133.71%

Allowance for Loan Losses. Management establishes allowances for estimated losses on loans based upon its evaluation of the pertinent factors underlying the types and quality of loans; historical loss experience based on volume and types of loans; trend in portfolio volume and composition; level and trend on non-performing assets; detailed analysis of individual loans for which full collectibility may not be assured; determination of the existence and realizable value of the collateral and guarantees securing such loans and the current economic conditions affecting the collectibility of loans in the portfolio. We analyze our loan portfolio each quarter for valuation purposes and to determine the adequacy of our allowance for losses. Based upon the factors discussed above, management believes that our allowance for losses as of March 31, 2008 of $2.2 million was adequate to cover probable losses inherent in the portfolio.

The following table sets forth an analysis of the allowance for losses on loans receivable for the dates indicated:

	Three Months Ended March 31,		Year Ended December 31,				
(Dollar amounts in thousands)	**2008**	**2007**	**2007**	**2006**	**2005**	**2004**	**2003**
Balance at beginning of period	$ 2,157	$ 2,035	$ 2,035	$ 1,869	$ 1,810	$ 1,777	$ 1,587
Provision for loan losses	60	45	256	358	205	290	330
Charge-offs:							
Mortgage loans		(6)	(82)	(154)	(46)	(165)	(25)
Commercial business loans			(22)	(18)	(60)	(36)	(26)
Consumer loans	(9)	(9)	(60)	(49)	(91)	(117)	(154)
	(9)	(15)	(164)	(221)	(197)	(318)	(205)

Recoveries: