

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

ALPENA BANCSHARES INC
Form SB-2
December 10, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON DECEMBER 10, 2004
REGISTRATION NO. 333-_____

=====

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

FORM SB-2
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
(Name of Small Business Issuer in Its Charter)

MARYLAND (State or Other Jurisdiction of Incorporation or Organization)	6712 (Primary Standard Industrial Classification Code Number)	BEING APPLIED FOR (I.R.S. Employer Identification Number)
---	---	---

100 SOUTH SECOND AVENUE
ALPENA, MICHIGAN 49707
(989) 356-9041
(Address and Telephone Number of
Principal Executive Offices)

100 SOUTH SECOND AVENUE
ALPENA, MICHIGAN 49707
(Address of Principal Place of Business)

MARTIN A. THOMSON
100 SOUTH SECOND AVENUE
ALPENA, MICHIGAN 49707
(989) 356-9041
(Name, Address and Telephone Number of Agent for Service)

COPIES TO:
ROBERT B. POMERENK, ESQ.
STEVE LANTER, ESQ.
LUSE GORMAN POMERENK & SCHICK, P.C.
5335 WISCONSIN AVENUE, N.W., SUITE 400
WASHINGTON, D.C. 20015

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

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

If this Form is a post-effective amendment filed pursuant to Rule 462(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: []

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

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

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: []

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE
Common Stock, \$0.01 par value per share	3,853,613 shares	\$10.00	\$38,536,130 (

(1) Estimated solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

PROSPECTUS

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
 (PROPOSED HOLDING COMPANY FOR FIRST FEDERAL OF NORTHERN MICHIGAN)
 UP TO 2,116,000 SHARES OF COMMON STOCK

First Federal of Northern Michigan Bancorp, Inc., a Maryland corporation, is offering shares of common stock for sale in connection with the conversion of Alpena Bancshares, M.H.C. from the mutual to the stock form of organization. The shares of common stock we are offering represent the ownership interest in Alpena Bancshares, Inc., a federal corporation, now owned by Alpena Bancshares, M.H.C. The existing shares of Alpena Bancshares, Inc. common stock held by the public will be exchanged for new shares of common stock of First Federal of Northern Michigan Bancorp, Inc., a Maryland corporation. All shares of common stock are being offered for sale at a price of \$10.00 per share. In addition, we intend to establish a charitable foundation and to fund the foundation with a contribution of up to 37,500 shares of our common stock and up to \$375,000 in cash. We expect that our shares of common stock will trade on the Nasdaq National Market under the symbol "ALPN."

IF YOU ARE OR WERE A DEPOSITOR OF FIRST FEDERAL OF NORTHERN MICHIGAN:

- o You may have priority rights to purchase shares of common stock.

IF YOU ARE CURRENTLY A STOCKHOLDER OF ALPENA BANCSHARES, INC.:

- o You may have the opportunity to purchase additional shares of common stock in the offering after subscription offering orders are filled.

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

- o Each of your shares of common stock will be exchanged at the conclusion of the offering for between 1.4783 and 2.0000 new shares (subject to adjustment to up to 2.3000 new shares) of common stock of First Federal of Northern Michigan Bancorp, Inc.
- o Your percentage ownership will remain essentially equivalent to your current percentage ownership interest in Alpena Bancshares, Inc.

IF YOU FIT NONE OF THE CATEGORIES ABOVE, BUT ARE INTERESTED IN PURCHASING SHARES OF OUR COMMON STOCK:

- o You may have the opportunity to purchase shares of common stock after priority orders are filled.

We are offering up to 1,840,000 shares of common stock for sale on a best efforts basis. We may sell up to 2,116,000 shares of common stock because of demand for the shares or changes in market conditions, without resoliciting subscribers. We will issue up to 1,478,360 shares of common stock to current stockholders of Alpena Bancshares, Inc. in exchange for their existing shares. The number of shares to be issued in exchange may be increased to up to 1,700,113 shares, depending on the number of shares sold in the offering. We must sell a minimum of 1,360,000 shares in the offering, and we must issue 1,092,701 shares in the exchange in order to complete the offering and the exchange of existing shares.

The minimum number of shares you can order is 25 shares. The offering is expected to expire at 10:00 a.m., Alpena, Michigan time, on March 15, 2005. We may extend this expiration date without notice to you until April 29, 2005, unless the Office of Thrift Supervision approves a later date, which may not be beyond March __, 2007. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond April 29, 2005, or the number of shares of common stock to be sold is increased to more than 2,116,000 shares or decreased to less than 1,360,000 shares. If the offering is extended beyond April 29, 2005, or if the number of shares of common stock to be sold is increased to more than 2,116,000 shares or decreased to less than 1,360,000 shares, subscribers will be resolicited, and all funds delivered to us to purchase shares of common stock in the offering will be returned promptly to subscribers, with interest. Funds received during the offering will be held in a segregated account at First Federal of Northern Michigan or another depository institution and will earn interest at our passbook savings rate.

Ryan Beck & Co., Inc. will assist us in selling our shares of common stock on a best efforts basis. Ryan Beck & Co., Inc. is not required to purchase any shares of the common stock that are being offered for sale. Purchasers will not pay a commission to purchase shares of common stock in the offering.

OFFERING SUMMARY PRICE: \$10.00 PER SHARE

	MINIMUM -----	MAXIMUM -----	ADJUSTED MAXIMUM -----
Number of shares:	1,360,000	1,840,000	2,116,000
Gross offering proceeds:	\$ 13,600,000	\$ 18,400,000	\$ 21,160,000
Estimated offering expenses:	\$ 716,000	\$ 738,000	\$ 786,000
Estimated net proceeds:	\$ 12,884,000	\$ 17,662,000	\$ 20,374,000
Estimated net proceeds per share:	\$ 9.47	\$ 9.60	\$ 9.63

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

THIS INVESTMENT INVOLVES A DEGREE OF RISK, INCLUDING
THE POSSIBLE LOSS OF PRINCIPAL.

PLEASE READ "RISK FACTORS" BEGINNING ON PAGE 20.

THESE SECURITIES ARE NOT DEPOSITS OR ACCOUNTS AND ARE NOT INSURED OR
GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT
AGENCY. NEITHER THE SECURITIES AND EXCHANGE COMMISSION, THE OFFICE OF THRIFT
SUPERVISION, NOR ANY STATE SECURITIES REGULATOR HAS APPROVED OR DISAPPROVED OF
THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY
REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

RYAN BECK & CO.

For assistance, please contact the Stock Information Center at (989) ____-_____

The date of this Prospectus is February __, 2005.

[MAP SHOWING FIRST FEDERAL OF NORTHERN MICHIGAN'S MARKET AREA APPEARS HERE]

i

OFFICE LOCATIONS:

HEADQUARTERS:

100 South Second Avenue
Alpena, MI 49707

BRANCH LOCATIONS:

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

300 South Ripley Boulevard
Alpena, MI 49707

625 N. Williams Street
Mancelona, MI 49659

6230 River Street
Alanson, MI 49706

308 North Morenci
Mio, MI 48647

101 South Main Street
Cheboygan, MI 49721

201 North State Street
Oscoda, MI 48750

1000 South Wisconsin
Gaylord, MI 49735

11874 U.S. 23 South
Ossineke, MI 49766

P.O. Box 673
4236 Salling Street
Lewiston, MI 49756

ii

TABLE OF CONTENTS

SUMMARY.....

RISK FACTORS.....

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA OF
ALPENA BANCSHARES, INC. AND SUBSIDIARY.....

FORWARD-LOOKING STATEMENTS.....

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING.....

OUR DIVIDEND POLICY.....

MARKET FOR THE COMMON STOCK.....

HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE.....

CAPITALIZATION.....

PRO FORMA DATA.....

COMPARISON OF VALUATION AND PRO FORMA INFORMATION WITH AND WITHOUT THE FOUNDATION.....

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....

BUSINESS OF ALPENA BANCSHARES, INC. AND FIRST FEDERAL OF NORTHERN MICHIGAN.....

SUPERVISION AND REGULATION.....

TAXATION.....

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

BENEFICIAL OWNERSHIP OF COMMON STOCK.....

SUBSCRIPTIONS BY DIRECTORS AND EXECUTIVE OFFICERS.....

THE CONVERSION.....

FIRST FEDERAL COMMUNITY FOUNDATION.....

COMPARISON OF STOCKHOLDERS' RIGHTS FOR EXISTING STOCKHOLDERS OF ALPENA BANCSHARES, INC.....

RESTRICTIONS ON ACQUISITION OF FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.....

DESCRIPTION OF CAPITAL STOCK OF FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC. FOLLOWING THE CO
TRANSFER AGENT.....

EXPERTS.....

LEGAL MATTERS.....

WHERE YOU CAN FIND ADDITIONAL INFORMATION.....

ALPENA BANCSHARES, INC. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS.....

iii

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

ABOUT THIS PROSPECTUS

The words "we," "our" and other similar references are intended to refer to Alpena Bancshares, M.H.C. and its subsidiaries (including Alpena Bancshares, Inc., a federal corporation, and First Federal of Northern Michigan) when relating to matters and time periods prior to the completion of the conversion and the offering, and to refer to First Federal of Northern Michigan Bancorp, Inc., a Maryland corporation, and its subsidiaries (including First Federal of Northern Michigan) when referring to matters and time periods after completion of the conversion and the offering.

iv

SUMMARY

The following summary explains the significant aspects of the conversion, the offering and the exchange of existing shares of Alpena Bancshares, Inc. common stock for new shares of First Federal of Northern Michigan Bancorp, Inc. common stock. It may not contain all the information that is important to you. For additional information before making an investment decision, you should read this entire document carefully, including the consolidated financial statements and the notes to the consolidated financial statements, and the section titled "Risk Factors."

THE COMPANIES

ALPENA BANCSHARES, M.H.C.

Alpena Bancshares, M.H.C. is the federally chartered mutual holding company of Alpena Bancshares, Inc., a federal corporation. Alpena Bancshares, M.H.C.'s principal business activity is the ownership of 920,000 shares of common stock of Alpena Bancshares, Inc., or 55.4% of the issued and outstanding shares as of September 30, 2004. After the completion of the conversion, Alpena Bancshares, M.H.C. will no longer exist.

Alpena Bancshares, M.H.C.'s executive offices are located at 100 South Second Avenue, Alpena, Michigan 49707. Its telephone number at this address is (989) 356-9041.

ALPENA BANCSHARES, INC., THE FEDERAL CORPORATION

Alpena Bancshares, Inc. is a federally chartered corporation that owns all of the outstanding common stock of First Federal of Northern Michigan. At September 30, 2004, Alpena Bancshares, Inc. had consolidated assets of \$254.5 million, deposits of \$182.4 million and stockholders' equity of \$21.9 million. After the completion of the conversion, Alpena Bancshares, Inc. will cease to exist, but will be succeeded by a new Maryland corporation with the name First Federal of Northern Michigan Bancorp, Inc. As of September 30, 2004, Alpena Bancshares, Inc. had 1,659,180 shares of common stock issued and outstanding. As of that date, Alpena Bancshares, M.H.C. owned 920,000 shares of common stock of Alpena Bancshares, Inc., representing 55.4% of the issued and outstanding shares of common stock. The remaining 739,180 shares were owned by the public.

Alpena Bancshares, Inc.'s executive offices are located at 100 South Second Avenue, Alpena, Michigan 49707. Its telephone number at this address is (989) 356-9041.

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC., THE MARYLAND CORPORATION

First Federal of Northern Michigan Bancorp, Inc. is a newly formed Maryland corporation that will own all of the outstanding common stock of First Federal of Northern Michigan upon completion of the conversion and the offering. Concurrently with the completion of the conversion and offering, First Federal of Northern Michigan Bancorp, Inc., the Maryland corporation, will be the successor to Alpena Bancshares, Inc., the federal corporation.

First Federal of Northern Michigan Bancorp, Inc.'s executive offices are located at 100 South Second Avenue, Alpena, Michigan 49707. Our telephone number at this address is (989) 356-9041.

5

FIRST FEDERAL OF NORTHERN MICHIGAN

First Federal of Northern Michigan is a full-service, community-oriented federal savings bank that provides financial services to individuals, families and businesses from ten full-service facilities located in Alpena, Antrim, Charlevoix, Cheboygan, Iosco, Otsego, Montmorency and Oscoda Counties, Michigan. First Federal of Northern Michigan has operated in Alpena, Michigan since its chartering in 1957. First Federal of Northern Michigan reorganized into the mutual holding company structure in 1994.

First Federal of Northern Michigan's business consists primarily of accepting deposits from the general public and investing those deposits, together with funds generated from operations and borrowings, in loans, consisting primarily of one- to four-family residential mortgage loans, commercial real estate loans, commercial loans and consumer loans, as well as in agency securities and mortgage-backed securities.

First Federal of Northern Michigan's executive offices are located at 100 South Second Avenue, Alpena, Michigan 49707. Its telephone number at this address is (989) 356-9041.

OUR ORGANIZATIONAL STRUCTURE

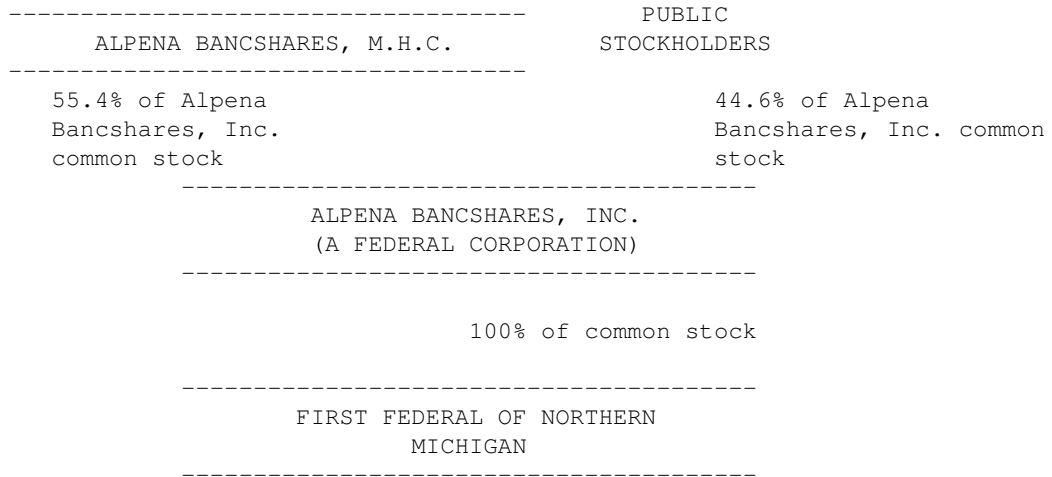
In 1994, First Federal of Northern Michigan's mutual predecessor reorganized into the mutual holding company form of organization. In 2000, First Federal of Northern Michigan formed Alpena Bancshares, Inc. as its mid-tier stock holding company. The majority of the outstanding shares of common stock of Alpena Bancshares, Inc. is owned by Alpena Bancshares, M.H.C., which is a mutual holding company that has no stockholders. Alpena Bancshares, Inc. owns 100% of the outstanding shares of common stock of First Federal of Northern Michigan.

Pursuant to the terms of Alpena Bancshares, M.H.C.'s plan of conversion and reorganization, Alpena Bancshares, M.H.C. will convert from the mutual holding company to the stock holding company corporate structure. As part of the conversion, we are offering for sale in a subscription offering and possibly in a community offering the majority ownership interest of Alpena Bancshares, Inc. that is currently held by Alpena Bancshares, M.H.C. Upon the completion of the conversion and offering, Alpena Bancshares, M.H.C. will cease to exist, and we will complete the transition from partial to full public stock ownership. Existing public stockholders of Alpena Bancshares, Inc. will receive new shares of common stock of First Federal of Northern Michigan Bancorp, Inc. (our newly formed Maryland corporation that will be the successor to Alpena Bancshares, Inc.) in exchange for their existing shares of Alpena Bancshares, Inc. at the completion of the conversion.

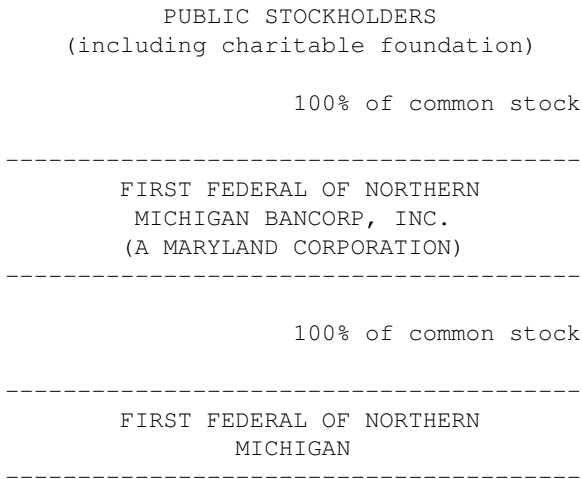
Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

6

The following chart shows our current organizational structure, which is commonly referred to as the "two-tier" mutual holding company structure:



After the conversion and offering are completed, we will be organized as a fully public holding company, as follows:



BUSINESS STRATEGY

Our goal is to operate and grow as a well-capitalized and profitable financial institution. We seek to accomplish this goal by:

- o operating as a community-oriented financial institution with personalized customer service;
- o increasing our commercial real estate and commercial loan portfolios;
- o increasing our share of lower-cost deposits;

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

- o increasing and diversifying our sources of non-interest income;
- o maintaining high asset quality and capital strength; and

7

- o managing our interest rate risk exposure by selling into the secondary market the majority of fixed-rate residential real estate loans with maturities of greater than 15 years that we originate.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations --Management Strategy" for a discussion of our business strategy.

REASONS FOR THE CONVERSION

We believe that our conversion to a fully public company and the increased capital resources that will result from the sale of our common stock will provide us with the flexibility:

- o to support internal growth through lending in the communities we serve;
- o to enhance existing products and services and support the development of new products and services;
- o to facilitate growth through branch and whole bank acquisitions as opportunities arise;
- o to improve our overall competitive position; and
- o to improve the liquidity of our shares of common stock and enhance stockholder returns through higher earnings and more flexible capital management strategies.

As a fully converted stock holding company, we will have greater flexibility in structuring mergers and acquisitions, including the form of consideration that we can use to pay for an acquisition. Our current mutual holding company structure and our relatively small asset size limit our ability to offer shares of our common stock as consideration in a merger or acquisition since Alpena Bancshares, M.H.C. is required to own a majority of our outstanding shares of common stock. Potential sellers often want stock for at least part of the purchase price. Our new stock holding company structure will enable us to offer stock or cash consideration, or a combination of stock and cash, and will therefore enhance our ability to compete with other bidders when acquisition opportunities arise. We currently have no arrangements or understandings regarding any specific acquisition.

TERMS OF THE CONVERSION AND OFFERING

Pursuant to Alpena Bancshares, M.H.C.'s plan of conversion and reorganization, our organization will convert from a partially public to a fully public form of holding company structure. In connection with the conversion, we are selling shares that represent the ownership interest in Alpena Bancshares, Inc. currently held by Alpena Bancshares, M.H.C.

We are offering between 1,360,000 and 1,840,000 shares of common stock to eligible depositors and borrowers of First Federal of Northern Michigan, our employee benefit plans and, to the extent shares remain available, to our existing public stockholders and the general public. The number of shares of

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

common stock to be sold may be increased to up to 2,116,000 as a result of regulatory considerations, demand for the shares, or changes in the market for financial institution stocks. Unless the number of shares of common stock to be offered is increased to more than 2,116,000 shares or decreased to less than 1,360,000 shares, or

8

the offering is extended beyond April 29, 2005, subscribers will not have the opportunity to change or cancel their stock orders once submitted. If the number of shares of common stock to be sold is increased to more than 2,116,000 shares or decreased to less than 1,360,000 shares, or if the offering is extended beyond April 29, 2005, subscribers will be resolicited, and all funds delivered to us to purchase shares of common stock in the offering will be returned promptly to subscribers with interest.

The purchase price of each share of common stock to be offered for sale in the offering is \$10.00. All investors will pay the same purchase price per share. Investors will not be charged a commission to purchase shares of common stock in the offering. Ryan Beck & Co., Inc., our marketing advisor in the offering, will use its best efforts to assist us in selling shares of our common stock. Ryan Beck & Co., Inc. is not obligated to purchase any shares of common stock in the offering.

In addition, as part of the conversion and offering, we intend to contribute up to 37,500 shares of our common stock and up to \$375,000 in cash to a charitable foundation to be established by First Federal of Northern Michigan.

PERSONS WHO MAY ORDER SHARES OF COMMON STOCK IN THE OFFERING

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

- (i) First, to depositors with accounts at First Federal of Northern Michigan with aggregate balances of at least \$50 on October 31, 2003.
- (ii) Second, to First Federal of Northern Michigan's employee stock ownership plan.
- (iii) Third, to depositors with accounts at First Federal of Northern Michigan with aggregate balances of at least \$50 on December 31, 2004.
- (iv) Fourth, to depositors of First Federal of Northern Michigan as of January 31, 2005 and to borrowers of First Federal of Northern Michigan as of November 4, 1994 whose borrowings remained outstanding as of January 31, 2005.

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a "community offering," with a preference given first to natural persons residing in the Michigan counties of Alpena, Alcona, Antrim, Charlevoix, Cheboygan, Crawford, Emmet, Iosco, Kalkaska, Montmorency, Ogemaw, Oscoda, Otsego and Presque Isle, and then to Alpena Bancshares, Inc. public stockholders as of January 31, 2005. The community offering, if held, may begin concurrently with, during or promptly after the subscription offering as we may determine at any time. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering through a "syndicated community offering" managed by Ryan Beck & Co., Inc. We have the right to accept or reject, in our sole discretion,

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

orders received in the community offering or syndicated community offering. Any determination to accept or reject purchase orders in the community offering and the syndicated community offering will be based on the facts and circumstances available to management at the time of the determination.

If we receive orders for more shares than we are offering, we may not be able to fully or partially fill your order. Shares will be allocated first to categories in the subscription offering. A detailed description of share allocation procedures can be found in the section entitled "The Conversion."

9

HOW WE DETERMINED THE OFFERING RANGE AND THE \$10.00 PER SHARE STOCK PRICE

The amount of common stock we are offering is based on an independent appraisal of the estimated market value of First Federal of Northern Michigan Bancorp, Inc., assuming the conversion and offering are completed. RP Financial, LC., our independent appraiser, has estimated that, as of November 26, 2004, this market value, including the establishment of the Foundation, ranged from \$24,799,010 to \$33,551,600, with a midpoint of \$29,175,300. Based on this valuation, the ownership interest of Alpena Bancshares, M.H.C. being sold in the offering and the \$10.00 per share price, the number of shares of common stock being offered for sale by First Federal of Northern Michigan Bancorp, Inc. will range from 1,360,000 shares to 1,840,000 shares. The \$10.00 per share price was selected primarily because it is the price most commonly used in mutual-to-stock conversions of financial institutions. The appraisal is based in part on Alpena Bancshares, Inc.'s financial condition and results of operations, the effect of the additional capital raised by the sale of shares of common stock in the offering, and an analysis of a peer group of 13 publicly traded savings bank and thrift holding companies that RP Financial considered comparable to Alpena Bancshares, Inc.

The following table presents a summary of selected pricing ratios for the peer group companies and First Federal of Northern Michigan Bancorp, Inc., based on earnings and other information as of and for the twelve months ended September 30, 2004. Compared to the average pricing of the peer group, First Federal of Northern Michigan Bancorp, Inc.'s pro forma pricing ratios at the maximum of the offering range indicated a premium of 174.4% on a price-to-core earnings basis, a discount of 25.4% on a price-to-book basis and a discount of 22.3% on a price-to-tangible book basis. The pricing ratios result from our generally higher levels of equity than the companies in the peer group, but lower earnings. Our board of directors, in reviewing and approving the appraisal, considered the range of price-to-core earnings multiples and the range of price-to-book value ratios at the different amounts of shares to be sold in the offering, and did not consider one valuation approach to be more important than the other. Instead, in approving the appraisal, the board concluded that these ranges represented the appropriate balance of the two approaches to valuing First Federal of Northern Michigan Bancorp, Inc., and the number of shares to be sold, in comparison to the peer group institutions. Specifically, in approving the appraisal, the board believed that First Federal of Northern Michigan Bancorp, Inc. would not be able to sell its shares at a price-to-book value that was in line with the peer group without unreasonably exceeding the peer group on a price-to-earnings basis. The estimated appraised value and the resulting premium/discount took into consideration the potential financial impact of the conversion and offering.

PRO FORMA

PRO FORMA

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

	PRICE-TO-CORE EARNINGS MULTIPLE	PRICE-TO-BOOK VALUE RATIO
FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.		
Maximum.....	57.44x	89.67%
Minimum.....	43.57x	74.52%
VALUATION OF PEER GROUP COMPANIES AS OF NOVEMBER 26, 2004		
Averages.....	20.93x	120.13%
Medians.....	20.38x	112.49

THE INDEPENDENT APPRAISAL DOES NOT INDICATE MARKET VALUE. DO NOT ASSUME OR EXPECT THAT THE VALUATION OF FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC. AS INDICATED ABOVE MEANS THAT, AFTER THE CONVERSION AND OFFERING, THE SHARES OF COMMON STOCK WILL TRADE AT OR ABOVE THE \$10.00 PURCHASE PRICE.

The independent appraisal will be updated prior to the completion of the conversion. If the appraised value changes to either below \$24,799,010 or above \$38,536,130, we will resolicit persons who

10

submitted stock orders, and all funds delivered to us to purchase shares of common stock in the offering will be returned promptly to subscribers with interest. See "The Conversion--Stock Pricing and Number of Shares to be Issued."

In addition, we intend to contribute to a charitable foundation cash in an amount equal to 2% of the shares we sell to purchasers in the offering, PROVIDED the cash does not exceed \$375,000 and common stock equal to 2% of the shares we sell to purchasers in the offering, PROVIDED the common stock contribution does not exceed 37,500 shares. The contribution of common stock to the charitable foundation will have the effect of reducing our pro forma valuation. See "Comparison of Valuation and Pro Forma Information with and without the Foundation."

THE EXCHANGE OF EXISTING SHARES OF ALPENA BANCSHARES, INC. COMMON STOCK

If you are currently a stockholder of Alpena Bancshares, Inc, your shares will be canceled at the conclusion of the offering and become the right to receive shares of common stock of First Federal of Northern Michigan Bancorp, Inc. The number of shares of common stock you receive will be based on an exchange ratio determined as of the closing of the conversion, which will depend upon our final appraised value. The number of shares you receive is not based on the market price of our currently outstanding shares. The following table shows how the exchange ratio will adjust, based on the valuation of First Federal of Northern Michigan Bancorp, Inc. and the number of shares of common stock issued in the offering. The table also shows the number of new shares a hypothetical owner of Alpena Bancshares, Inc. common stock would receive in exchange for 100 shares of Alpena Bancshares, Inc. common stock owned at the consummation of the conversion, depending on the number of shares of common stock issued in the offering.

NEW SHARES TO BE EXCHANGED	TOTAL SHARES OF
----------------------------	-----------------

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

	NEW SHARES TO BE SOLD IN THIS OFFERING (1)		FOR EXISTING SHARES OF ALPENA BANCSHARES, INC.		COMMON STOCK TO BE ISSUED IN CONVERSION AND OFFERING	EXCHA RAT
	AMOUNT	PERCENT	AMOUNT	PERCENT		
Minimum.....	1,360,000	55.4%	1,092,701	44.6%	2,479,901	1.4
Midpoint.....	1,600,000	55.4	1,285,530	44.6	2,917,530	1.7
Maximum.....	1,840,000	55.4	1,478,360	44.6	3,355,160	2.0
15% above Maximum..	2,116,000	55.4	1,700,113	44.6	3,853,613	2.3

(1) Does not include 27,200, 32,000, 36,800 and 37,500 shares issued to the charitable foundation at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively.

If you own shares of Alpena Bancshares, Inc. common stock in a brokerage account in "street name," you do not need to take any action to exchange your shares of common stock. If you own shares in the form of Alpena Bancshares, Inc. stock certificates, you will receive a transmittal form with instructions to surrender your stock certificates after consummation of the conversion. New certificates of First Federal of Northern Michigan Bancorp, Inc. common stock will be mailed to you within five business days after the exchange agent receives properly executed transmittal forms and your Alpena Bancshares, Inc. stock certificates.

YOU SHOULD NOT SUBMIT A STOCK CERTIFICATE UNTIL YOU RECEIVE A TRANSMITTAL FORM.

No fractional shares of First Federal of Northern Michigan Bancorp, Inc. common stock will be issued to any public stockholder of Alpena Bancshares, Inc. For each fractional share that would otherwise be issued, First Federal of Northern Michigan Bancorp, Inc. will pay in cash an amount equal to the product obtained by multiplying the fractional share interest to which the holder would otherwise be

entitled by the \$10.00 per share subscription price. Current stockholders of Alpena Bancshares, Inc. have dissenters' rights in connection with the conversion.

LIMITS ON HOW MUCH COMMON STOCK YOU MAY PURCHASE

The minimum number of shares of common stock that may be purchased is 25 shares.

IF YOU ARE NOT CURRENTLY AN ALPENA BANCSHARES, INC. STOCKHOLDER -

No individual, or individual exercising subscription rights through a qualifying account held jointly, may purchase more than \$150,000 (15,000 shares) of common stock. If any of the following persons purchases shares of common stock, their purchases, in all categories of the offering, when combined with your purchases, cannot exceed \$250,000 (25,000 shares) of common stock:

- o your spouse or relatives of you or your spouse living in your house;
- o most companies, trusts or other entities in which you are a

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

trustee, have a substantial beneficial interest or hold a senior position; or

- o other persons who may be your associates or persons acting in concert with you.

See the detailed description of "acting in concert" and "associate" in "The Conversion--Limitations on Common Stock Purchases."

IF YOU ARE CURRENTLY AN ALPENA BANCSHARES, INC. STOCKHOLDER -

In addition to the above purchase limitations, there is an ownership limitation. Shares of common stock that you purchase in the offering individually and together with persons described above, PLUS any new shares you and they receive in the exchange for existing shares of Alpena Bancshares, Inc. common stock, may not exceed 5% of the total shares of common stock to be issued and outstanding after the completion of the conversion. Subject to Office of Thrift Supervision approval, we may increase or decrease the purchase and ownership limitations at any time.

ISSUANCE OF SHARES OF OUR COMMON STOCK AND CONTRIBUTION OF CASH TO THE CHARITABLE FOUNDATION

To further our commitment to our local community, we intend to establish a charitable foundation as part of the conversion and offering, and intend to fund the foundation through a contribution of cash in an amount equal to 2% of the shares we sell to purchasers in the offering, PROVIDED the cash does not exceed \$375,000 and common stock equal to 2% of the shares we sell to purchasers in the offering, PROVIDED the common stock contribution does not exceed 37,500 shares. As a result of the contribution of shares to the charitable foundation, we will record an after-tax expense of up to \$495,000 during the quarter in which the conversion is completed. The charitable foundation will be dedicated exclusively to supporting charitable causes and community development activities in the communities in which we operate.

Issuing additional shares of common stock to the charitable foundation will:

- o dilute the voting interests of purchasers of shares of our common stock in the offering; and

12

- o result in an expense, and a reduction in earnings, during the quarter in which the contribution is made, equal to the full amount of the contribution to the charitable foundation, offset in part by a corresponding tax benefit.

The establishment and funding of the charitable foundation has been approved by the boards of directors of Alpena Bancshares, Inc. and First Federal of Northern Michigan.

See "Risk Factors--The Issuance of Shares to the Charitable Foundation Will Dilute Your Ownership Interests and Adversely Affect Net Income in Fiscal 2005," "Comparison of Valuation and Pro Forma Information With and Without the Foundation" and "First Federal Community Foundation" at page __.

HOW YOU MAY PURCHASE SHARES OF COMMON STOCK

In the subscription offering and community offering, you may pay for

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

your shares only by:

- (i) personal check, bank check or money order made payable directly to First Federal of Northern Michigan Bancorp, Inc.; or
- (ii) authorizing us to withdraw funds from the types of First Federal of Northern Michigan deposit accounts designated on the stock order form.

First Federal of Northern Michigan is not permitted to lend funds to anyone for the purpose of purchasing shares of common stock in the offering. Additionally, you may not use a First Federal of Northern Michigan line of credit check or third party check to pay for shares of common stock.

You can subscribe for shares of common stock in the offering by delivering a signed and completed original stock order form, together with full payment payable to First Federal of Northern Michigan Bancorp, Inc. or authorization to withdraw from one or more of your First Federal of Northern Michigan qualified deposit accounts, provided that we receive the stock order form before 10:00 a.m., Alpena, Michigan time, March 15, 2005, which is the end of the offering period. Checks will be deposited with First Federal of Northern Michigan or another depository institution upon receipt. We will pay interest at First Federal of Northern Michigan's passbook savings rate from the date funds are received until completion or termination of the conversion. Withdrawals from certificates of deposit to purchase shares of common stock in the offering may be made without incurring an early withdrawal penalty. If a withdrawal results in a certificate account with a balance less than the applicable minimum balance requirement, the certificate will be canceled at the time of withdrawal without penalty and the remaining balance will earn interest at the current passbook rate subsequent to the withdrawal. All funds authorized for withdrawal from deposit accounts with First Federal of Northern Michigan must be in the accounts at the time the stock order is received. However, funds will not be withdrawn from the accounts until the completion of the offering and will earn interest at the applicable deposit account rate until that time. A hold will be placed on those funds when your stock order is received, making the designated funds unavailable to you. Additionally, you may not designate a withdrawal from First Federal of Northern Michigan accounts with check-writing privileges. Please provide a check instead, because we cannot place holds on checking accounts. If you request that we do so, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for the designated amount, and we will immediately withdraw the amount from your checking account(s). After we receive an order for shares of our common stock, the order cannot be cancelled or changed.

13

By signing the stock order form, you are acknowledging both receipt of a Prospectus and that the shares of common stock are not deposits or savings accounts that are federally insured or otherwise guaranteed by First Federal of Northern Michigan or the federal government.

You may be able to subscribe for shares of common stock using funds in your individual retirement account, or IRA. However, shares of common stock must be held in a self-directed retirement account, such as those offered by a brokerage firm. By regulation, First Federal of Northern Michigan's individual retirement accounts are not self-directed, so they cannot be invested in our common stock. If you wish to use some or all of the funds in your First Federal of Northern Michigan individual retirement account, the applicable funds must be transferred to a self-directed account maintained by an independent trustee, such as a brokerage firm. If you do not have such an account, you will need to

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

establish one before placing your stock order. An annual administrative fee may be payable to the independent trustee. Because individual circumstances differ and processing of retirement fund orders takes additional time, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before the end of the offering period, for assistance with purchases using your individual retirement account or other retirement account that you may have. Whether you may use such funds for the purchase of shares in the stock offering may depend on timing constraints and, possibly, limitations imposed by the institution where the funds are held.

DELIVERY OF STOCK CERTIFICATES

Certificates representing shares of common stock sold in the offering will be mailed to the persons entitled thereto at the certificate registration address noted on the order form, as soon as practicable following consummation of the offering and receipt of all necessary regulatory approvals. IT IS POSSIBLE THAT, UNTIL CERTIFICATES FOR THE COMMON STOCK ARE DELIVERED TO PURCHASERS, PURCHASERS MIGHT NOT BE ABLE TO SELL THE SHARES OF COMMON STOCK WHICH THEY ORDERED, EVEN THOUGH THE COMMON STOCK WILL HAVE BEGUN TRADING.

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

We estimate net proceeds from the offering will be between \$12,822,000 and \$17,482,000, or \$20,209,000 if the offering range is increased by 15%. First Federal of Northern Michigan Bancorp, Inc. intends to retain between \$2.5 million and \$6.6 million of the net proceeds, or \$9.0 million if the offering range is increased by 15%. Approximately \$10.3 million to \$10.9 million of the net proceeds (or \$11.2 million if the offering range is increased by 15%) will be invested in First Federal of Northern Michigan.

A portion of the net proceeds retained by First Federal of Northern Michigan Bancorp, Inc. will be used for a loan to the employee stock ownership plan to fund its purchase of shares of common stock (between 110,976 shares and 150,144 shares, or 172,280 shares if the offering is increased by 15%) and the remainder of such proceeds will be used for general corporate purposes. First Federal of Northern Michigan Bancorp, Inc. may use the funds to pay cash dividends and repurchase shares of common stock. Funds invested in First Federal of Northern Michigan will be used to support increased lending and new products and services. The net proceeds retained by First Federal of Northern Michigan Bancorp, Inc. and First Federal of Northern Michigan also may be used for future business expansion through acquisitions of branch offices or banking or financial services companies. Initially, a substantial portion of the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

Please see the section of this Prospectus entitled "How We Intend to Use the Proceeds From the Offering" for more information on the proposed use of the proceeds from the offering.

YOU MAY NOT SELL OR TRANSFER YOUR SUBSCRIPTION RIGHTS

Office of Thrift Supervision regulations prohibit you from transferring your subscription rights. If you order shares of common stock in the subscription offering, you will be required to state that you are purchasing the common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights. We intend to take legal action, including reporting persons to federal or state regulatory agencies, against anyone who we believe has sold or given away his or her subscription rights. We

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

will not accept your order if we have reason to believe that you have sold or transferred your subscription rights. On the order form, you may not add the names of others for joint stock registration who do not have subscription rights or who qualify only in a lower subscription offering priority than you do, unless they were eligible to purchase shares of common stock in the subscription offering at your date of eligibility. In addition, the stock order form requires that you list all deposit accounts, giving all names on each account and the account number at the applicable eligibility date. Failure to provide this information, or providing incomplete or incorrect information, may result in a loss of part or all of your share allocation, if there is an oversubscription.

DEADLINE FOR ORDERS OF COMMON STOCK

If you wish to purchase shares of common stock, a properly completed original stock order form, together with full payment for the shares of common stock, must be received (not postmarked) by the Stock Information Center or our main office no later than 10:00 a.m., Alpena, Michigan time, on March 15, 2005, unless we extend this deadline. You may submit your stock order form by mail using the return envelope provided, by overnight courier to the indicated address on the stock order form, or by delivery to our Stock Information Center at our main office. Order forms may not be delivered to First Federal of Northern Michigan's branches (other than to our main office). Deliveries made to other than our main office will be deemed invalid and will not be accepted. Once submitted, your order is irrevocable unless the offering is terminated or extended beyond April 29, 2005 or the number of shares of common stock to be sold is increased to more than 2,116,000 shares or decreased to fewer than 1,360,000 shares. If the subscription offering and/or community offering extend beyond April 29, 2005, we will be required to resolicit subscriptions before proceeding with the offering, and all funds delivered to us to purchase shares of common stock in the offering will be returned promptly to the subscribers with interest.

Although we will make reasonable attempts to provide a Prospectus and offering materials to holders of subscription rights, the subscription offering and all subscription rights will expire at 10:00 a.m., Alpena, Michigan time, on March 15, 2005, whether or not we have been able to locate each person entitled to subscription rights.

STEPS WE MAY TAKE IF WE DO NOT RECEIVE ORDERS FOR THE MINIMUM NUMBER OF SHARES

If we do not receive orders for at least 1,360,000 shares of common stock, we may take several steps in order to issue the minimum number of shares of common stock in the offering range. Specifically, we may:

- (i) increase the purchase and ownership limitations; and
- (ii) seek regulatory approval to extend the offering beyond the April 29, 2005 expiration date, provided that any such extension will require us to resolicit subscriptions received in the offering.

15

PURCHASES BY OFFICERS AND DIRECTORS

We expect our directors and executive officers, together with their associates, to subscribe for _____ shares of common stock in the offering. The purchase price paid by them will be the same \$10.00 per share price paid by all other persons who purchase shares of common stock in the offering. Following the conversion, our directors and executive officers, together with their associates, are expected to own _____ shares of common stock, or ____% of our

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

total outstanding shares of common stock at the midpoint of the offering range (including the shares issued to the charitable foundation).

BENEFITS TO MANAGEMENT AND POTENTIAL DILUTION TO STOCKHOLDERS RESULTING FROM THE CONVERSION

Our tax-qualified employee stock ownership plan expects to purchase up to 8% of the shares of common stock we sell in the offering (including shares we issue to the charitable foundation), or 172,280 shares of common stock, assuming we sell the maximum number of the shares proposed to be sold. If we receive orders for more shares of common stock than the maximum of the offering range, the employee stock ownership plan will have first priority to purchase shares over this maximum, up to a total of 8% of the shares of common stock sold in the offering (including the shares we issue to the charitable foundation). We reserve the right to purchase shares of common stock in the open market following the offering in order to fund the employee stock ownership plan. This plan is a tax-qualified retirement plan for the benefit of all our employees. Assuming the employee stock ownership plan purchases 172,280 shares in the offering, we will recognize additional compensation expense of \$1.5 million (or \$990,000 after tax) over a 15-year period, assuming the shares of common stock have a fair market value of \$10.00 per share for the full 15-year period. If, in the future, the shares of common stock have a fair market value greater or less than \$10.00, the compensation expense will increase or decrease accordingly.

We also intend to implement a stock-based recognition and retention plan and a stock option plan no earlier than six months after completion of the conversion. Stockholder approval of these plans will be required. If adopted within 12 months following the completion of the conversion, the stock recognition and retention plan will reserve a number of shares equal to 4% of the shares sold in the offering (including the shares we issue to the charitable foundation), or up to 75,072 shares of common stock at the maximum of the offering range, for awards to key employees and directors, at no cost to the recipients. If the shares of common stock awarded under the stock recognition and retention plan come from authorized but unissued shares of common stock, stockholders would experience dilution of up to approximately 2.2% in their ownership interest in First Federal of Northern Michigan Bancorp, Inc. If adopted within 12 months following the completion of the conversion, the stock option plan will reserve a number of shares equal to 10% of the shares of common stock sold in the offering, or up to 187,680 shares of common stock at the maximum of the offering range (including shares we issue to the charitable foundation), for key employees and directors upon their exercise. If the shares of common stock issued upon the exercise of options come from authorized but unissued shares of common stock, stockholders would experience dilution of approximately 5.3% in their ownership interest in First Federal of Northern Michigan Bancorp, Inc. Awards made under these plans would be subject to vesting over a period of years. If the stock recognition and retention plan or stock option plan are adopted more than one year after the completion of the conversion, awards or grants under such plans may exceed 4% and 10%, respectively, of the shares issued in the offering.

The following table summarizes the number of shares of common stock and the aggregate dollar value of grants that are expected under the new stock recognition and retention plan and the new stock option plan as a result of the conversion. The table also shows the dilution to stockholders if all such shares are issued from authorized but unissued shares, instead of shares purchased in the open market. A portion of the stock grants shown in the table below may be made to non-management employees.

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

	NUMBER OF SHARES TO BE GRANTED OR PURCHASED			
	AT MINIMUM OF OFFERING RANGE	AT MAXIMUM OF OFFERING RANGE	AS A PERCENTAGE OF COMMON STOCK TO BE ISSUED IN THE OFFERING	DILUTION RESULTING FROM ISSUANCE OF SHARES FOR STOCK BENEFIT PLANS (2)
	-----	-----	-----	-----
Employee stock ownership plan.....	110,976	150,144	8.1%	4.3%
Recognition and retention plan.....	55,488	75,072	4.1	2.2
Stock option plan.....	138,720	187,680	10.2	5.3
	-----	-----	-----	-----
Total.....	299,200	404,800	22.4%	11.8%
	=====	=====	=====	=====

- (1) The actual value of restricted stock grants will be determined based on their fair value as of the date grants are made. For purposes of this table, fair value is assumed to be the same as the offering price of \$10.00 per share. No value is given for options because their exercise price will be equal to the fair market value of the common stock on the date the options are granted. Proposed changes in accounting standards may require us in the future to recognize expense if we grant stock options. As proposed, such expense would be calculated using a "fair-value-based" method at the time of grant, and cannot be estimated with certainty at this time.
- (2) Calculated at the maximum of the offering range.

MARKET FOR COMMON STOCK

Existing publicly held shares of Alpena Bancshares, Inc.'s common stock trade over the counter on the OTC Bulletin Board under the symbol "ALPN." Upon completion of the conversion, the new shares of common stock of First Federal of Northern Michigan Bancorp, Inc. will replace existing shares, and we expect the new shares will be traded on the Nasdaq National Market under the symbol "_____." We will try to get at least four market makers to make a market in our common stock. Ryan Beck & Co., Inc. has advised us that it intends to make a market in our common stock following the offering, but it is under no obligation to do so. While we will attempt before completion of the offering to obtain commitments from at least three other broker-dealers to make a market in our common stock, there can be no assurance that we will be successful in obtaining such commitments.

OUR DIVIDEND POLICY

Alpena Bancshares, Inc. currently pays a quarterly cash dividend of \$0.10 per share, which equals \$0.40 per share on an annualized basis. After the conversion, we intend to continue to pay cash dividends on a quarterly basis. After adjustment for the exchange ratio, we expect the quarterly dividends to equal \$0.07, \$0.06, \$0.05 and \$0.04 per share at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively, which represents an annual dividend yield of 2.8%, 2.4%, 2.0% and 1.6%, at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively, based upon a price of \$10.00 per share. The amount of dividends that we intend to pay after the conversion will preserve the dividend amount that Alpena Bancshares, Inc.

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

stockholders currently receive, as adjusted to reflect the exchange ratio. However, the dividend rate and the continued payment of dividends will depend on a number of factors, including our 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 they will not be reduced or eliminated in the future.

See "Selected Consolidated Financial and Other Data of Alpena Bancshares, Inc. and Subsidiary" and "Market for the Common Stock" for information regarding our historical dividend payments.

17

TAX CONSEQUENCES

As a general matter, the conversion will not be a taxable transaction for purposes of federal or state income taxes to Alpena Bancshares, M.H.C., Alpena Bancshares, Inc., First Federal of Northern Michigan, persons eligible to subscribe in the subscription offering, or existing stockholders of Alpena Bancshares, Inc. Existing stockholders of Alpena Bancshares, Inc. who receive cash in lieu of fractional share interests in new shares of First Federal of Northern Michigan Bancorp, Inc. will recognize a gain or loss equal to the difference between the cash received and the tax basis of the fractional share.

CONDITIONS TO COMPLETION OF THE CONVERSION

We cannot complete the conversion and offering unless:

- o The plan of conversion and reorganization is approved by at least A MAJORITY OF VOTES ELIGIBLE to be cast by members of Alpena Bancshares, M.H.C. (depositors and certain borrowers of First Federal of Northern Michigan);
- o The plan of conversion and reorganization is approved by at least TWO-THIRDS OF THE OUTSTANDING shares of common stock of Alpena Bancshares, Inc.;
- o The plan of conversion and reorganization is approved by at least A MAJORITY OF THE OUTSTANDING shares of common stock of Alpena Bancshares, Inc., excluding those shares held by Alpena Bancshares, M.H.C.;
- o We sell at least the minimum number of shares of common stock offered; and
- o We receive the final approval of the Office of Thrift Supervision to complete the conversion and offering.

Alpena Bancshares, M.H.C. intends to vote its ownership interest in favor of the plan of conversion and reorganization. At September 30, 2004, Alpena Bancshares, M.H.C. owned 55.4% of the outstanding shares of common stock of Alpena Bancshares, Inc. The directors and executive officers of Alpena Bancshares, Inc. and their affiliates owned 53,135 shares of Alpena Bancshares, Inc., or 3.2% of the outstanding shares of common stock. They intend to vote those shares in favor of the plan of conversion and reorganization.

Decrease in Stockholders' Rights for Existing Stockholders of Alpena Bancshares, Inc.

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

As a result of the conversion, existing stockholders of Alpena Bancshares, Inc. will become stockholders of First Federal of Northern Michigan Bancorp, Inc.. Some rights of stockholders of the new Maryland corporation will be reduced compared to the rights stockholders currently have. The reduction in stockholder rights results from differences between the federal and Maryland charters and bylaws, and from distinctions between Maryland and federal law. Many of the differences in stockholder rights under the Maryland articles of incorporation and bylaws are not mandated by Maryland law but have been chosen by management as being in the best interests of First Federal of Northern Michigan Bancorp, Inc. and all of its stockholders. The differences in stockholder rights include the following: (i) approval by at least 80% of outstanding shares required to remove a director for cause; (ii) greater lead time required for stockholders to submit proposals for new business or nominate directors; (iii) approval by at least 80% of outstanding shares required to amend the articles of incorporation and bylaws; (iv) a residency requirement for directors; and (v) approval by at least 80% of outstanding shares required to

18

approve business combinations involving an interested stockholder. See "Comparison of Stockholders' Rights For Existing Stockholders of Alpena Bancshares, Inc." for a discussion of these differences.

HOW YOU CAN OBTAIN ADDITIONAL INFORMATION

Our branch office personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the conversion or offering, please call or visit our Stock Information Center, located at 100 South Second Avenue, Alpena, Michigan, at _____, Monday through Friday between 9:30 a.m. and 4:00 p.m., Alpena, Michigan time. The Stock Information Center will be closed weekends and bank holidays.

TO ENSURE THAT EACH PERSON RECEIVES A PROSPECTUS AT LEAST 48 HOURS PRIOR TO THE EXPIRATION DATE OF MARCH 15, 2005 IN ACCORDANCE WITH FEDERAL LAW, NO PROSPECTUS WILL BE MAILED ANY LATER THAN FIVE DAYS PRIOR TO MARCH 15, 2005 OR HAND-DELIVERED ANY LATER THAN TWO DAYS PRIOR TO MARCH 15, 2005.

19

RISK FACTORS

You should consider carefully the following risk factors in evaluating an investment in the shares of common stock.

RISKS RELATED TO OUR BUSINESS

OUR COMMERCIAL REAL ESTATE AND COMMERCIAL LOANS EXPOSE US TO INCREASED CREDIT RISKS AND MAY REQUIRE US TO INCREASE OUR PROVISIONS FOR LOAN LOSSES.

At September 30, 2004, our portfolio of commercial real estate loans totaled \$26.5 million, or 14.00% of total loans, and our portfolio of commercial loans totaled \$28.9 million, or 15.31% of total loans. These loans have increased as a percentage of our portfolio as we have originated these loans for our portfolio and sold into the secondary mortgage market many of our one- to four-family fixed-rate residential real estate loans. We plan to continue to originate these types of commercial and commercial real estate loans and retain them in our portfolio. Commercial real estate and commercial loans generally have greater credit risk than one- to four-family residential mortgage loans

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

because repayment of the loans often depends on the successful business operations of the borrowers. These loans typically have larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Many of our borrowers also have more than one commercial real estate or commercial loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. Finally, if we foreclose on a commercial or commercial real estate loan, our holding period for the collateral, if any, typically is longer than for one- to four-family residential mortgage loans because there are fewer potential purchasers of the collateral. If we increase the amount of commercial real estate and commercial loans in our loan portfolio, we may increase our provisions for loan losses to protect against increased losses inherent in these types of loans, which could adversely affect our earnings.

OUR CONCENTRATION OF LOANS IN OUR PRIMARY MARKET AREA MAY INCREASE OUR RISK.

Our success depends primarily on the general economic conditions in Alpena, Alcona, Antrim, Charlevoix, Cheboygan, Iosco, Montmorency, Oscoda, Otsego and Presque Isle Counties, Michigan where we primarily conduct business. Unlike larger banks that are more geographically diversified, we provide banking and financial services to customers primarily in these areas. The local economic conditions in our market area have a significant impact on our loans, the ability of the borrowers to repay these loans and the value of the collateral securing these loans. Unemployment rates in our primary market area are generally higher than state and national levels. Our market area is also sparsely populated and has limited industrial development compared to more urban and suburban areas. The population of Alpena (city and township) is approximately 21,000, and the population of its primary market area, which includes Alpena County and seven surrounding counties, is approximately 154,000. A significant decline in general economic conditions caused by inflation, recession, unemployment or other factors beyond our control would affect economic conditions in our market area and could adversely affect our financial condition and results of operations.

THE SIZE OF OUR BRANCH NETWORK HAS INCREASED OUR EXPENSES AND MAY CONTINUE TO REDUCE OUR PROFITABILITY IN THE NEAR TERM.

At September 30, 2004, we operated ten full-service branch offices, including two full-service branch offices acquired in 2004. We believe our ratio of branch offices to total assets is higher than most of our peer institutions. As a result of this extensive branch network, including the expenses associated

20

with our new offices, our efficiency ratio, which is the ratio of non-interest expense to net interest income and other income, has been high. Our efficiency ratio has increased from 76.04% for the year ended December 31, 2001 to 95.34% for the nine months ended September 30, 2004. We expect it will take some time for our branch network to generate sufficient loans and deposits to produce enough income to offset our ongoing expenses, some of which, like compensation and occupancy costs, are substantially fixed.

CHANGES IN MARKET INTEREST RATES COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Our financial condition and results of operations are significantly affected by changes in market interest rates. Our results of operations depend substantially on our net interest income, which is the difference between the

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

interest income that we earn on our interest-earning assets (consisting primarily of loans and securities) and the interest expense that we pay on our interest-bearing liabilities (consisting primarily of deposits). As of September 30, 2004, loans and securities represented 90.4% of our total assets, and deposits and borrowings represented 98.8% of our liabilities. As a result, for the nine months ended September 30, 2004, interest income represented 73.1% of our gross revenues (interest income and non-interest income), and interest expense represented 36.0% of the sum of interest expense and non-interest expense. Because our interest-bearing liabilities generally reprice or mature more quickly than our interest-earning assets, an increase in interest rates generally would result in a decrease in our net interest income.

We also are subject to reinvestment risk associated with changes in interest rates. Changes in interest rates may affect the average life of loans and mortgage-related securities. Decreases in interest rates often result in increased prepayments of loans and mortgage-related securities, as borrowers refinance their loans to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments in loans or other investments that have interest rates that are comparable to the interest rates on existing loans and securities. Additionally, increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable rate loans.

As of September 30, 2004, we were servicing loans sold to third parties totaling \$140.4 million which had a book value, at such date, of \$898,000. Generally, the value of mortgage servicing rights increases as interest rates rise and decreases as interest rates fall, because the estimated life and estimated income from the underlying loans increase with rising interest rates and decrease with falling interest rates. In an increasing interest rate environment, the book value of our mortgage servicing rights would decrease.

Changes in interest rates also affect the current market value of our interest-earning assets, and in particular our securities portfolio. Generally, the value of securities fluctuates inversely with changes in interest rates. At September 30, 2004, our agency securities and mortgage-backed securities available for sale totaled \$42.9 million. Unrealized gains on securities available for sale, net of tax, amounted to \$133,700 for the nine months ended September 30, 2004 and are reported as a separate component of stockholders' equity. However, decreases in the fair value of securities available for sale in future periods could have an adverse effect on stockholders' equity.

Management evaluates interest rate sensitivity using a model that estimates the change in our net portfolio value over a range of interest rate scenarios. Net portfolio value is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts. At September 30, 2004, in the event of an immediate 200 basis point increase in interest rates, we would be expected to experience a 20% decrease in net portfolio value. See "Management's Discussion and Analysis of Financial Condition

21

and Results of Operations--Management of Interest Rate Risk" for further information on the potential effects of interest rate risk on our financial condition.

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,

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors have substantially greater resources and lending limits than we have and offer certain services that we do not or cannot provide. Within our market area, we hold only 6.2% of all bank and thrift deposits; our ten full-service offices compare with 106 branch offices of other financial institutions in our market area. Our profitability depends upon our continued ability to successfully compete in our market area. The greater resources and deposit and loan products offered by our competition may limit our ability to increase our interest earning assets. For additional information, see "Business of Alpena Bancshares, Inc. and First Federal of Northern Michigan--Market Area and Competition."

RISKS RELATED TO THE CONVERSION

THE FUTURE PRICE OF THE SHARES OF COMMON STOCK MAY BE LESS THAN THE PURCHASE PRICE IN THE OFFERING.

We cannot assure you that if you purchase shares of common stock in the offering you will be able to sell them later at or above the \$10.00 purchase price in the offering. In several cases, shares of common stock issued by newly converted savings institutions or mutual holding companies have traded below the price at which such shares were sold in the offering conducted by those companies. The aggregate purchase price of the shares of common stock sold in the offering will be based on an independent appraisal. The appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The appraisal is based on estimates and projections of a number of matters, all of which are subject to change from time to time. After our shares begin trading, the trading price of our common stock will be determined by the marketplace, and may be influenced by many factors, including prevailing interest rates, the overall performance of the economy, investor perceptions of First Federal of Northern Michigan Bancorp, Inc. and the outlook for the financial institutions industry in general.

OUR FAILURE TO UTILIZE EFFECTIVELY THE NET PROCEEDS OF THE OFFERING COULD REDUCE OUR PROFITABILITY AND OUR RETURN ON STOCKHOLDERS' EQUITY.

First Federal of Northern Michigan Bancorp, Inc. intends to contribute between \$10.3 million and \$10.9 million of the net proceeds of the offering (or \$11.2 million at the adjusted maximum of the offering range) to First Federal of Northern Michigan. First Federal of Northern Michigan Bancorp, Inc. may use the remaining net proceeds to finance the acquisition of other financial institutions or financial services companies, pay dividends to stockholders, repurchase shares of common stock, purchase investment securities, or for other general corporate purposes. First Federal of Northern Michigan Bancorp, Inc. expects to use a portion of the net proceeds to fund the purchase of shares of common stock in the offering by the employee stock ownership plan. First Federal of Northern Michigan may use the proceeds it receives to acquire new branches, acquire financial institutions or financial services companies, fund new loans, purchase investment securities, or for general corporate purposes. We have not allocated specific amounts of the proceeds for any of these purposes, and we will have significant flexibility in determining how much of the net proceeds we apply to different uses and the timing of such applications. Our failure to utilize these funds effectively could reduce our profitability.

Additionally, net income divided by average stockholders' equity, known as "return on equity," is a ratio many investors use to compare the performance of a financial institution to its peers. We expect our return on equity to

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

decrease as compared to our performance in recent years until we are able to utilize effectively the additional capital raised in the offering. Until we can increase our net interest income and non-interest income, we expect our return on equity to be below the industry average, which may negatively affect the value of our common stock.

THE OWNERSHIP INTEREST OF MANAGEMENT AND EMPLOYEES COULD ENABLE INSIDERS TO PREVENT A MERGER THAT MAY PROVIDE STOCKHOLDERS A PREMIUM FOR THEIR SHARES.

The shares of common stock that our directors and officers intend to purchase in the conversion, when combined with the shares that they will receive in the exchange and the shares that may be awarded to participants under our employee stock ownership plan and other stock benefit plans, could result in management and employees controlling a significant percentage of our outstanding shares of common stock. If these individuals were to act together, they could have significant influence over the outcome of any stockholder vote. This voting power may discourage a potential sale of First Federal of Northern Michigan Bancorp, Inc. that our stockholders may desire. In addition, the total voting power of management and employees could reach in excess of 20% of our outstanding shares of common stock. That level would enable management and employees as a group to defeat any stockholder matter that requires an 80% vote, including removal of directors, approval of certain business combinations with interested stockholders and certain amendments to our articles of incorporation and bylaws.

THERE MAY BE A LIMITED MARKET FOR OUR COMMON STOCK, WHICH MAY LOWER OUR STOCK PRICE.

We have applied to list our shares of common stock for trading on the Nasdaq National Market. We cannot guarantee that the shares will be regularly traded. If an active trading market for our common stock does not develop, you may not be able to sell all of your shares of common stock on short notice, and the sale of a large number of shares at one time could temporarily depress the market price.

THE ISSUANCE OF SHARES AND THE CONTRIBUTION OF CASH TO THE CHARITABLE FOUNDATION WILL DILUTE YOUR OWNERSHIP INTERESTS AND ADVERSELY AFFECT NET INCOME IN FISCAL 2005.

We intend to establish a charitable foundation in connection with the conversion and intend to make a contribution of cash in an amount equal to 2% of the shares we sell to purchasers in the offering, PROVIDED the cash does not exceed \$375,000 and common stock equal to 2% of the shares we sell to purchasers in the offering, PROVIDED the common stock contribution does not exceed 37,500 shares. This contribution will have an adverse effect on our net income for the quarter and year in which we make the contribution. The after-tax expense of the contribution will reduce net income in our 2005 fiscal year by up to approximately \$495,000. Persons purchasing shares in the offering will have their ownership and voting interests in First Federal of Northern Michigan Bancorp, Inc. diluted by 1.1% (at the midpoint of the offering range) due to the issuance of additional shares of common stock to the charitable foundation.

OUR CONTRIBUTION TO THE CHARITABLE FOUNDATION MAY NOT BE TAX DEDUCTIBLE, WHICH COULD REDUCE OUR PROFITS.

We believe that the contribution to the charitable foundation, valued at up to \$750,000, will be deductible for federal income tax purposes. However, we cannot assure you that the Internal Revenue Service will grant tax-exempt status to the charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. In addition, even if the contribution is tax deductible, under federal tax regulations, we are permitted to deduct only up to 10% of our net income for charitable contributions;

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

accordingly, we may not have sufficient profits to be able to use the deduction fully.

23

THE IMPLEMENTATION OF STOCK-BASED BENEFIT PLANS MAY DILUTE YOUR OWNERSHIP INTEREST.

We intend to adopt a stock option plan and a recognition and retention plan following the offering, subject to receipt of stockholder approval. These stock-based benefit plans may be funded either through open market purchases or from the issuance of authorized but unissued shares of common stock of First Federal of Northern Michigan Bancorp, Inc. While our intention is to fund these plans through open market purchases, stockholders will experience a reduction or dilution in ownership interest of approximately 7.5% (approximately 5.3% dilution for the stock option plan and approximately 2.2% dilution for the recognition and retention plan) in the event newly issued shares are used to fund stock option exercises and stock awards equal to 10% and 4%, respectively, of the shares sold in the offering, including shares contributed to the charitable foundation.

OUR RECOGNITION AND RETENTION PLAN WILL INCREASE OUR COSTS, WHICH WILL REDUCE OUR PROFITABILITY AND STOCKHOLDERS' EQUITY.

We intend to implement a recognition and retention plan after the conversion, subject to receipt of stockholder approval. Under this plan, our officers and directors may be awarded, at no cost to them, shares of common stock in an aggregate amount equal to 4% of the shares of common stock sold in the offering (including shares contributed to the charitable foundation) if the plan is adopted within 12 months after completion of the conversion, and may exceed 4% of the shares sold in the offering (including shares issued to the charitable foundation) if adopted more than 12 months after the completion of the conversion. The shares of common stock awarded under the recognition and retention plan will be expensed by us over their vesting period at the fair market value of the shares on the date they are awarded. The recognition and retention plan cannot be implemented until at least six months after the completion of the conversion. If the plan is adopted within 12 months after the completion of the conversion, it is subject to Office of Thrift Supervision regulations. If the shares of common stock to be awarded under the plan are repurchased in the open market (rather than issued directly from authorized but unissued shares by First Federal of Northern Michigan Bancorp, Inc.) and cost the same as the purchase price in the offering, the reduction to stockholders' equity from the plan would be between \$554,800 at the minimum of the offering range and \$861,400 at the adjusted maximum of the offering range. To the extent we repurchase shares of common stock in the open market to fund the recognition and retention plan, and the price of such shares exceeds the offering price of \$10.00 per share, the reduction to stockholders' equity would exceed the range described above. Conversely, to the extent the price of such shares is below the offering price of \$10.00 per share, the reduction to stockholders' equity would be less than the range described above.

VARIOUS FACTORS MAY MAKE TAKEOVER ATTEMPTS MORE DIFFICULT TO ACHIEVE.

Our board of directors has no current intention to sell control of First Federal of Northern Michigan Bancorp, Inc. Provisions of our articles of incorporation and bylaws, federal regulations, Maryland law and various other factors may make it more difficult for companies or persons to acquire control of First Federal of Northern Michigan Bancorp, Inc. without the consent of our board of directors. You may want a takeover attempt to succeed because, for example, a potential acquiror could offer a premium over the then prevailing

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

price of our common stock. The factors that may discourage takeover attempts or make them more difficult include:

- o OFFICE OF THRIFT SUPERVISION REGULATIONS. Office of Thrift Supervision regulations prohibit, for three years following the completion of a conversion, the direct or indirect acquisition of more than 10% of any class of equity security of a converted savings institution without the prior approval of the Office of Thrift Supervision.

24

- o ARTICLES OF INCORPORATION AND STATUTORY PROVISIONS. Provisions of the articles of incorporation and bylaws of First Federal of Northern Michigan Bancorp, Inc. and Maryland law may make it more difficult and expensive to pursue a takeover attempt which management opposes, even if the takeover is favored by a majority of our stockholders. These provisions also would make it more difficult to remove our current board of directors or management, or to elect new directors. Specifically, our articles of incorporation provide that certain mergers must be approved by stockholders owning 80% of our shares of common stock unless the transaction has been approved by a majority of the disinterested directors or certain fair price and procedure requirements have been satisfied. Additional provisions include limitations on voting rights of beneficial owners of more than 10% of our common stock, the election of directors to staggered terms of three years and not permitting cumulative voting in the election of directors. Our bylaws also contain provisions regarding the timing and content of stockholder proposals and nominations and qualification for service on the board of directors.
- o REQUIRED CHANGE IN CONTROL PAYMENTS AND ISSUANCE OF STOCK OPTIONS. We intend to enter into change in control agreements with certain executive officers, which will require payments to be made to them in the event their employment is terminated following a change in control of First Federal of Northern Michigan Bancorp, Inc. or First Federal of Northern Michigan. We also intend to issue stock options to key employees and directors that will require payments to them in connection with a change in control of First Federal of Northern Michigan Bancorp, Inc. These payments may have the effect of increasing the costs of acquiring First Federal of Northern Michigan Bancorp, Inc., thereby discouraging future takeover attempts.

THE RIGHTS OF EXISTING STOCKHOLDERS OF ALPENA BANCSHARES, INC. WILL BE REDUCED UNDER FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.'S MARYLAND ARTICLES OF INCORPORATION AND BYLAWS.

As a result of the conversion, existing stockholders of Alpena Bancshares, Inc. will become stockholders of First Federal of Northern Michigan Bancorp, Inc. Some rights of stockholders of the new Maryland corporation will be reduced compared to the rights stockholders currently have. Many of the differences in stockholder rights under the Maryland articles of incorporation and bylaws, while not mandated by Maryland law, are permitted and have been chosen by management as being in the best interests of First Federal of Northern Michigan Bancorp, Inc. and all of its stockholders.

For example, current stockholders must submit nominations for election

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

of directors at an annual meeting of stockholders and any new business to be taken up at such a meeting by filing the proposal in writing with Alpena Bancshares, Inc. at least five days before the date of any such meeting. However, First Federal of Northern Michigan Bancorp, Inc.'s Maryland bylaws generally provide that any stockholder desiring to make a nomination for the election of directors or a proposal for new business at an annual meeting of stockholders must submit written notice to First Federal of Northern Michigan Bancorp, Inc. at least 90 days prior to the anniversary date of the mailing of proxy materials in connection with the immediately preceding annual meeting of stockholders. Similarly, under the current federal charter, special meetings of stockholders may be called by the holders of not less than one-tenth of the outstanding capital stock entitled to vote at the meeting. However, First Federal of Northern Michigan Bancorp, Inc.'s Maryland articles of incorporation provide that special meetings of the stockholders of First Federal of Northern Michigan Bancorp, Inc. may be called by the president or by a majority of the whole board. In addition, the Maryland bylaws provide that special meetings of stockholders shall be called on the written request of stockholders entitled to cast at least a majority of all votes. See "Comparison of Stockholders' Rights for Existing Stockholders of Alpena Bancshares, Inc." for a discussion of these differences.

25

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA OF ALPENA BANCSHARES, INC. AND SUBSIDIARY

The summary financial information presented below is derived in part from the consolidated financial statements of Alpena Bancshares, Inc. The following is only a summary and you should read it in conjunction with the financial statements and notes beginning on page F-1. The information at December 31, 2003 and 2002 and for the years ended December 31, 2003 and 2002 is derived in part from the audited consolidated financial statements of Alpena Bancshares, Inc. that appear in this prospectus. The information for the years ended December 31, 2001, 2000 and 1999 is derived in part from audited consolidated financial statements that do not appear in this prospectus. The operating data for the nine months ended September 30, 2004 and 2003 were not audited, but, in the opinion of management, reflect all adjustments necessary for a fair presentation. No adjustments were made other than normal recurring entries. The results of operations for the nine months ended September 30, 2004 are not necessarily indicative of the results of operations that may be expected for the entire year.

	AT SEPTEMBER 30, 2004	----- 2003 -----	2002	AT DECEMBER 31, 2001	----- 2000 -----
(IN THOUSANDS)					
SELECTED FINANCIAL CONDITION DATA:					
Total assets.....	\$ 254,476	\$ 223,923	\$ 228,808	\$ 241,472	\$ 267,009
Loans receivable, net.....	187,099	163,460	151,341	176,146	218,957
Loans held-for-sale.....	656	931	542	1,891	850
Investment securities.....	42,880	34,670	46,944	23,212	19,719
Deposits.....	182,428	151,702	156,092	166,538	162,771
Borrowings.....	47,303	47,159	48,414	52,120	82,435
Stockholders' equity.....	21,936	21,951	21,747	20,597	19,471

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,		
	2004	2003	2003	2002	2001
(IN THOUSANDS)					
SELECTED OPERATING DATA:					
Interest income.....	\$ 9,798	\$ 10,125	\$ 13,350	\$ 14,499	\$ 17,580
Interest expense.....	4,571	4,931	6,455	8,342	11,430
Net interest income.....	5,227	5,194	6,895	6,157	6,144
Provision for loan losses.....	214	238	267	415	250
Net interest income after provision for loan losses....	5,013	4,956	6,628	5,742	5,894
Non-interest income.....	3,599	3,892	5,426	2,385	2,200
Non-interest expense.....	8,113	7,663	10,327	7,072	6,160
Income before income tax expense..	499	1,185	1,727	1,055	1,930
Income tax expense.....	167	394	518	285	640
Net income.....	\$ 332	\$ 791	\$ 1,209	\$ 770	\$ 1,280

26

	AT OR FOR THE NINE MONTHS ENDED SEPTEMBER 30,		AT OR FOR THE YEARS ENDED DECEMBER 31,		
	2004	2003	2003	2002	2001
SELECTED FINANCIAL RATIOS AND OTHER DATA:					
PERFORMANCE RATIOS:					
Return on assets (ratio of net income to average total assets) (1).....	0.18%	0.46%	0.53%	0.33%	0.33%
Return on equity (ratio of net income to average equity) (1).....	2.03%	4.81%	5.52%	3.68%	6.14%
Average interest rate spread (1) (2).....	2.87%	2.99%	3.00%	2.50%	2.50%
Dividend payout ratio.....	61.14%	34.64%	30.36%	47.01%	28.57%
Net interest margin (1) (3).....	3.09%	3.27%	3.26%	2.78%	2.78%
Efficiency ratio (4).....	95.34%	87.19%	88.02%	87.54%	76.19%
Non-interest expense to average total assets (1)...	4.45%	4.47%	4.53%	3.01%	2.85%
Average interest-earning assets to average interest-bearing liabilities.....	108.00%	108.59%	108.69%	107.42%	104.00%
ASSET QUALITY RATIOS:					
Non-performing assets to total assets.....	0.70%	0.91%	1.04%	0.70%	0.70%
Non-performing loans to total loans.....	0.94%	1.26%	1.28%	0.97%	0.97%
Allowance for loan losses to non-performing loans..	64.79%	51.19%	48.87%	62.77%	61.11%
Allowance for loan losses to total loans.....	0.61%	0.63%	0.63%	0.61%	0.61%

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

CAPITAL RATIOS:

Equity to total assets at end of period.....	8.62%	9.45%	9.80%	9.50%	8
Average equity to average assets.....	8.97%	9.63%	9.62%	8.90%	7
Risk-based capital ratio (bank only).....	11.13%	11.68%	11.96%	15.95%	13

OTHER DATA:

Number of full service offices.....	10	8	8	9
-------------------------------------	----	---	---	---

-
- (1) Ratios for the nine months ended September 30, 2004 and 2003 are annualized.
 - (2) The average interest rate spread represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the period.
 - (3) The net interest margin represents net interest income as a percent of average interest-earning assets for the period.
 - (4) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.

27

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and words of similar meaning. These forward-looking statements include, but are not limited to:

- o statements of our goals, intentions and expectations;
- o statements regarding our business plans, prospects, growth and operating strategies;
- o statements regarding the asset quality of our loan and investment portfolios; and
- o estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- o general economic conditions, either nationally or in our market areas, that are worse than expected;
- o competition among depository and other financial institutions;
- o inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- o adverse changes in the securities markets;

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

- o changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- o our ability to enter new markets successfully and capitalize on growth opportunities;
- o our ability to successfully integrate acquired entities;
- o changes in consumer spending, borrowing and savings habits;
- o changes in accounting policies and practices, as may be adopted by the bank regulatory agencies and the Financial Accounting Standards Board; and
- o changes in our organization, compensation and benefit plans.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Please see "Risk Factors" beginning on page 20.

28

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

Although we cannot determine what the actual net proceeds from the sale of the shares of common stock in the offering will be until the offering is completed, we anticipate that the net proceeds will be between \$12.6 million and \$17.3 million, or \$20.0 million if the offering range is increased by 15%. First Federal of Northern Michigan Bancorp, Inc. estimates that it will invest in First Federal of Northern Michigan between \$10.3 million and \$10.9 million, or \$11.2 million if the offering range is increased by 15%. We intend to retain between \$2.5 million and \$6.6 million of the net proceeds, or \$9.0 million if the offering range is increased by 15%. Between \$1.1 million and \$1.5 million (or \$1.7 million if the offering range is increased) will be used for the loan to the employee stock ownership plan to fund its purchase of shares of common stock.

A summary of the anticipated net proceeds at the minimum, midpoint, maximum and adjusted maximum of the offering range and distribution of the net proceeds is as follows:

	BASED UPON THE SALE AT \$10.00 PER SHARE					
	1,360,000 SHARES	1,600,000 SHARES	1,840,000 SHARES	2,080,000 SHARES	2,320,000 SHARES	
	AMOUNT	PERCENT OF NET PROCEEDS	AMOUNT	PERCENT OF NET PROCEEDS	AMOUNT	PERCENT OF NET PROCEEDS
	(DOLLARS IN THOUSANDS)					
Offering proceeds.....	\$ 13,600		\$ 16,000		\$ 18,400	
Less offering expenses.....	716		738		760	
	-----		-----		-----	

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

Net offering proceeds.....	\$ 12,884	100.0%	\$ 15,262	100.0%	\$ 17,640	100.
	=====	=====	=====	=====	=====	=====
Distribution of net proceeds:						
To First Federal of Northern Michigan.....	\$ 10,312	80.0%	\$ 10,606	69.5%	\$ 10,900	61.
To fund loan to employee stock ownership plan.....	\$ 1,110	8.6%	\$ 1,306	8.6%	\$ 1,501	8.
Retained by First Federal of Northern Michigan Bancorp, Inc.....	\$ 1,462	11.4%	\$ 3,350	21.9%	\$ 5,239	29.

(1) As adjusted to give effect to an increase in the number of shares which could occur due to a 15% increase in the offering range to reflect demand for the shares, changes in market or general financial conditions following the commencement of the offering, or regulatory considerations.

Payments for shares of common stock made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment but will result in a reduction of First Federal of Northern Michigan's deposits. The net proceeds may vary because total expenses relating to the offering may be more or less than our estimates. For example, our expenses would increase if a syndicated community offering were used to sell shares of common stock not purchased in the subscription and community offerings.

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC. MAY USE THE PROCEEDS IT RETAINS FROM THE OFFERING:

- o to fund a loan to the employee stock ownership plan to purchase shares of common stock in the offering (between \$1.1 million and \$1.5 million, or \$1.7 million if the offering is increased by 15%);
 - o to finance the acquisition of financial institutions or other financial service companies, although we do not currently have any agreements or understandings regarding any specific acquisition transaction;
- 29
- o to pay cash dividends to stockholders;
 - o to repurchase shares of our common stock;
 - o to invest in securities; and
 - o for other general corporate purposes.

Initially, a substantial portion of the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

Under current Office of Thrift Supervision regulations, we may not repurchase shares of our common stock during the first year following the completion of the conversion, except when extraordinary circumstances exist and with prior regulatory approval.

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

FIRST FEDERAL OF NORTHERN MICHIGAN MAY USE THE NET PROCEEDS IT RECEIVES FROM THE OFFERING:

- o to fund new loans, including one-to four-family residential mortgage loans, commercial real estate and commercial loans, construction loans and consumer loans;
- o to expand its retail banking franchise by acquiring new branches or by acquiring other financial institutions or other financial services companies, although we do not currently have any agreements or understandings regarding any acquisition transaction;
- o to enhance existing products and services and to support the development of new products and services;
- o to invest in securities; and
- o for other general corporate purposes.

Initially, the net proceeds will be invested in short-term investments, investment-grade debt obligations and mortgage-backed securities.

OUR DIVIDEND POLICY

We currently pay a quarterly cash dividend of \$0.10 per share, which equals \$.40 per share on an annualized basis. After the conversion, we intend to continue to pay cash dividends on a quarterly basis. After adjustment for the exchange ratio, we expect the quarterly dividends to equal \$.07, \$.06, \$.05 and \$.04 per share at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively, which represents an annual dividend yield of 2.8%, 2.4%, 2.0% and 1.6% at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively, based upon a stock price of \$10.00 per share. The amount of dividends that we intend to pay to our stockholders following the conversion is intended to preserve the per share dividend amount, adjusted to reflect the exchange ratio, that our stockholders currently receive on their shares of Alpena Bancshares, Inc. common stock. However, the dividend rate and the continued payment of dividends will depend on a number of factors including our capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. We cannot assure you that we will not reduce or eliminate dividends in the future.

30

Under the rules of the Office of Thrift Supervision, First Federal of Northern Michigan will not be permitted to pay dividends on its capital stock to First Federal of Northern Michigan Bancorp, Inc., its sole stockholder, if First Federal of Northern Michigan's stockholder's equity would be reduced below the amount of the liquidation account established in connection with the conversion. In addition, First Federal of Northern Michigan will not be permitted to make a capital distribution if, after making such distribution, it would be undercapitalized. See "The Conversion--Liquidation Rights." For information concerning additional federal and state law and regulations regarding the ability of First Federal of Northern Michigan to make capital distributions, including the payment of dividends to First Federal of Northern Michigan Bancorp, Inc., see "Taxation--Federal Taxation" and "Supervision and Regulation--Federal Banking Regulation."

Unlike First Federal of Northern Michigan, we are not restricted by

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

Office of Thrift Supervision regulations on the payment of dividends to our stockholders, although the source of dividends will depend on the net proceeds retained by us and earnings thereon, and dividends from First Federal of Northern Michigan. However, First Federal of Northern Michigan Bancorp, Inc. will be subject to state law limitations on the payment of dividends. Maryland law generally limits dividends to an amount equal to the excess of our capital surplus over payments that would be owed upon dissolution to stockholders whose preferential rights upon dissolution are superior to those receiving the dividend, and to an amount that would not make us insolvent.

Finally, pursuant to Office of Thrift Supervision regulations, during the three-year period following the conversion, we will not take any action to declare an extraordinary dividend to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

See "Selected Consolidated Financial and Other Data of Alpena Bancshares, Inc. and Subsidiary" and "Market for the Common Stock" for information regarding our historical dividend payments.

MARKET FOR THE COMMON STOCK

Alpena Bancshares, Inc.'s common stock currently trades over the counter on the OTC Bulletin Board. At September 30, 2004, we had eight market makers in our common stock. Upon completion of the conversion, the new shares of common stock of First Federal of Northern Michigan Bancorp, Inc. will replace existing shares. We expect the new shares will be traded on the Nasdaq National Market under the symbol "ALPN." We will try to get at least four market makers to make a market in our common stock. Ryan Beck & Co., Inc. has advised us that it intends to make a market in our common stock following the conversion, but it is under no obligation to do so. While we will attempt before completion of the conversion to obtain commitments from at least three other broker-dealers to make a market in our common stock, there can be no assurance that we will be successful in obtaining such commitments.

The development of a public market having the desirable characteristics of depth, liquidity and orderliness depends on the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. The number of active buyers and sellers of our common stock at any particular time may be limited, which may have an adverse effect on the price at which our common stock can be sold. There can be no assurance that persons purchasing the common stock will be able to sell their shares at or above the \$10.00 price per share in the offering. Purchasers of our common stock should have a long-term investment intent and should recognize that there may be a limited trading market in our common stock.

The following table sets forth the high and low trading prices for shares of Alpena Bancshares, Inc. common stock and cash dividends paid per share for the periods indicated. As of September 30, 2004, there were 739,180 publicly held shares of Alpena Bancshares, Inc. common stock issued and

outstanding (excluding shares held by Alpena Bancshares, M.H.C.). In connection with the conversion, each existing publicly held share of common stock of Alpena Bancshares, Inc. will be converted into a right to receive a number of new shares of common stock, based upon the exchange ratio that is described in other parts of this prospectus. See "The Conversion-Share Exchange Ratio."

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

YEAR ENDING DECEMBER 31, 2005	HIGH	LOW	DIVIDEND PAID
First quarter (through February __)	\$	\$	\$
YEAR ENDED DECEMBER 31, 2004	HIGH	LOW	DIVIDEND PAID
Fourth quarter			
Third quarter	17.75	15.60	.10
Second quarter	23.75	17.50	.05
First quarter	25.00	22.50	.125
YEAR ENDED DECEMBER 31, 2003	HIGH	LOW	DIVIDEND PAID
Fourth quarter	24.00	18.95	.125
Third quarter	19.00	16.50	.125
Second quarter	18.50	14.80	.125
First quarter	15.65	14.00	.125

(1) Dividend of \$_____ per share for the first quarter will be paid on February __, 2005.

On November 12, 2004, the business day immediately preceding the public announcement of the conversion, and on February __, 2005, the closing prices of Alpena Bancshares, Inc. common stock as reported on the OTC Bulletin Board were \$16.30 per share and \$_____ per share, respectively. At February __, 2005, Alpena Bancshares, Inc. had approximately _____ stockholders of record. On the effective date of the conversion, all publicly held shares of Alpena Bancshares, Inc. common stock, including shares of common stock held by our officers and directors, will be converted automatically into and become the right to receive a number of shares of First Federal of Northern Michigan Bancorp, Inc. common stock determined pursuant to the exchange ratio. See "The Conversion -- Share Exchange Ratio." Options to purchase shares of Alpena Bancshares, Inc. common stock will be converted into options to purchase a number of shares of First Federal of Northern Michigan Bancorp, Inc. common stock determined pursuant to the exchange ratio, for the same aggregate exercise price. See "Beneficial Ownership of Common Stock."

32

HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE

At September 30, 2004, First Federal of Northern Michigan exceeded all of the applicable regulatory capital requirements. The table below sets forth the historical equity capital and regulatory capital of First Federal of Northern Michigan at September 30, 2004, and the pro forma regulatory capital of First Federal of Northern Michigan, after giving effect to the sale of shares of common stock at a \$10.00 per share purchase price and assuming that First Federal of Northern Michigan received net proceeds in an amount such that it will have at least a 10% regulatory tangible and core capital ratio upon completion of the conversion and offering. Accordingly, the table assumes the receipt by First Federal of Northern Michigan of between \$10.3 million and \$10.9 million of the net offering proceeds at the minimum and maximum of the offering range, respectively.

Edgar Filing: ALPENA BANCSHARES INC - Form SB-2

	FIRST FEDERAL OF NORTHERN MICHIGAN HISTORICAL AT SEPTEMBER 30, 2004		PRO FORMA AT SEPTEMBER 30, 2004, BASED UPON T				
			1,360,000 SHARES		1,600,000 SHARES		1,840,0
	AMOUNT	PERCENT OF ASSETS (2)	AMOUNT	PERCENT OF ASSETS (2)	AMOUNT	PERCENT OF ASSETS (2)	AMOUNT
	(DOLLARS IN THOUSANDS)						
Equity capital.....	\$ 21,936	8.62%	\$ 30,584	11.62%	\$ 30,584	11.62%	\$ 30,584
Tangible capital....	\$ 17,207	6.89%	\$ 25,855	10.00%	\$ 25,855	10.00%	\$ 25,855
Tangible requirement.....	3,748	1.50	3,878	1.50	3,878	1.50	3,878
Excess.....	\$ 13,459	5.39%	\$ 21,976	8.50%	\$ 21,976	8.50%	\$ 21,976