

DONNELLY PENMAN & PARTNERS

INVESTMENT BANKING

Vally Ridge Financial Corp. and ChoiceOne Financial Services, Inc. to Combine in a Merger of Equals

Valley Ridge Financial Corp.

Valley Ridge is a bank holding company headquartered in nearby Kent City, Michigan, with total assets of \$216 million, total deposits of \$165 million and total loans of \$151 million at December 31, 2005. Valley Ridge's bank subsidiary, Valley Ridge Bank, was formed in 1907 and provides banking and financial services through 9 offices located in Kent, Muskegon, Newaygo and Ottawa Counties in Michigan. The CEO of Valley Ridge is Rick Edgar.

ChoiceOne Financial Services, Inc.

COFS is a bank holding company headquartered in Sparta, Michigan, with total assets of \$248 million, total deposits of \$182 million and total loans of \$186 million as of December 31, 2005. Its subsidiary bank, ChoiceOne Bank, has been in operation for 107 years and provides a full range of banking and financial services through 5 offices located in Sparta, Rockford, Cedar Springs and Comstock Park, all of which are located in Kent County, Michigan. The CEO of COFS is Jim Bosserd.

December 2006

VALLEY RIDGE FINANCIAL CORP.

parent of



(Kent City, MI)

has completed a merger of equals with

ChoiceOne
FINANCIAL SERVICES, INC.

(Sparta, MI)

The Transaction

On April 26, 2006 Valley Ridge Financial Corp. ("Valley Ridge") and ChoiceOne Financial Services, Inc. (COFS) announced that they signed a definitive agreement to join forces in a merger of equals transaction.

Valley Ridge shareholders would receive 8.5 shares of COFS common stock for each share of Valley Ridge common stock outstanding. In addition, prior to closing this transaction, Valley Ridge is expected to declare a special one-time cash dividend to its shareholders totaling \$10 million, or approximately \$53.60 per share on a fully diluted basis. Adjusted for the special dividend, price to book value at announcement was 2.31x. The combined company is expected to have a market capitalization of approximately \$60.0 million based on ChoiceOne's closing stock price of \$18.25 on April 25, 2006.

Upon completion of this transaction, the combined organization will have 14 banking offices, with total assets projected to be approximately \$480 million and total deposits projected to be approximately \$380 million. The pro forma company will be the sixth largest Michigan-based depository in the Grand Rapids market area.

The merger is subject to approval by Valley Ridge's shareholders, approval by banking regulators, and other customary conditions. It is expected to be completed during the fourth quarter of 2006.

Donnelly Penman & Partners acted as financial advisor to Valley Ridge in connection with the transaction and assisted in the negotiations of the merger of equal terms. Please contact **John Donnelly** at (313) 393-3054 for further information.

Donnelly Penman & Partners

Donnelly Penman & Partners is one of the largest independently owned investment banking firms headquartered in the Midwest. We provide comprehensive advisory services to both public and private companies, including mergers and acquisitions, capital raising, due diligence, and general financial advisory services. In addition, we are a [FINRA](#) licensed broker dealer and member [SIPC](#).

Donnelly Penman & Partners is owned by the employees of the firm, who have participated in more than 225 transactions since the firm's inception in September 2000 and collectively have more than 85 years of investment banking experience.