

Organizational Functional Area:	Corporate
Policy For:	Insider Trading Policy
Approved By:	Human Resource Committee
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Responsible for Updating Policy:	Chief Financial Officer



Emclaire Financial Corp

Farmers National Bank of Emlenton

Insider Trading Policy

Background

Directors and employees of Emclaire Financial Corp and its subsidiary national bank, The Farmers National Bank of Emlenton (collectively “Emclaire”) must act in a manner that does not misuse material non-public Information (also known as “insider information”), including but not limited to financial information that has not been publicly disclosed. Failure to do so breaches the market’s trust in the integrity of Emclaire. In addition, directors and employees may be sued civilly by either the Securities and Exchange Commission (SEC), or by private litigants by trading in securities while in possession of insider information concerning the issuer of the security. Directors and employees may also be charged with criminal violations. The penalties for trading on insider information (or tipping others to do so) may be severe. In addition to having to repay any gains made (or losses avoided) on illegal transactions, civil courts may impose fines of three times the amount of the gains (or losses avoided). If the SEC pursues the matter with criminal charges, the result may be substantial monetary fines, as well as prison sentences of up to twenty years.

Maintaining the confidence of shareholders and the public markets is important. The principle underlying Emclaire’s policy is fairness in dealings with other persons, which requires that individuals not take personal advantage of undisclosed information.

Definitions

“Securities” include common stock, derivative securities such as put and call options, and convertible debentures or preferred stock, as well as debt securities such as bonds and notes.

“Trade” or “Trading” means the buying and/or selling of securities of any company, and also includes buying or selling, as well as writing options or transferring to or from any Emclaire stock fund or other benefit plan. It does not include ongoing purchases of Emclaire stock under any savings plan, purchasing stock under any employee option plan, or making a gift that does not satisfy a legal obligation.

“Material Information” is any information that a reasonable investor would consider important in a decision to buy, sell or hold the securities. Any information that could reasonably be expected to affect the price of the Securities is likely to be considered material. Examples of material information include, but are not limited to, unexpected financial results, proposed major mergers and acquisitions, sale(s) of major assets, changes in dividends, an extraordinary item for accounting purposes, and important business developments such as major raw material shortages or discoveries or major litigation. The information may be positive or negative. The public, the media, and the courts may use hindsight in judging what is material. While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include, but are not limited to:

- Unpublished financial reports or projections;
- Declaration of stock splits and stock dividends, or changes in dividend policy;
- Defaults under agreements or actions by creditors, customers, or suppliers relating to a company’s credit standing;
- Major changes in previously disclosed financial information;
- The possibility of mergers, acquisitions, or takeovers or the possible initiation of a proxy fight;

- Information about current or proposed significant changes in operations or business plans, or about significant financial restructuring;
- Extraordinary borrowings;
- Impending bankruptcy or financial liquidity problems;
- Significant changes in management or relations among major stockholders, customers, or suppliers;
- The purchase or sale of substantial assets;
- Regulatory developments;
- Significant disputes, claims or litigation, or litigation developments

“Inside Information” means material information that has not yet become publicly available. Release of information to the media does not immediately free insiders to trade. Insiders should refrain from trading until the market has had an opportunity to absorb and evaluate the information. If the information has been widely disseminated, it is usually sufficient to wait at least two business days after publication.

“Insider” means an individual with access to inside information.

“Tipping” means to disclose (or “Tip”) non-public material information to another person, whether directly or indirectly, who subsequently uses that information to his or her advantage in effecting transactions involving securities. Tipping also includes recommendations by an individual with inside information of sales and/or purchases of securities even when the basis of the recommendation is not disclosed by the tipping party. Tipping is a violation of federal law.

Policy

No Emclaire director, officer, employee, consultant, or contractor, and no member of any such individual’s immediate family or household of any such person may trade in Emclaire stock unless the director, officer, or employee is sure that he or she does not possess inside information. No Emclaire director or employee may disclose such information to others who might use it for trading or might pass it along to others who might trade.

Similarly, directors and employees may not trade in securities of any other company unless they are sure that they do not possess any inside information about that company which they obtained in the course of their service with Emclaire, such as information about a major contract or merger being negotiated.

This Policy also forbids tipping others as to the desirability of buying or selling securities (or options) on the basis of such inside information. Recommending sales or purchases of the securities to which the inside information relates, even without disclosing the basis for the recommendation, is prohibited. This applies to tipping one’s spouse or other relatives as well as anyone else. Emclaire directors, officers, employees, consultants, and contractors must not disclose inside information (or any other confidential information) to another person unless (i) that person has a need to know such information in connection with his or her employment or supervisory responsibilities within Emclaire, (ii) that person is employed by a firm retained by Emclaire (i.e., a law, accounting, or other firm) and such person needs to know the information in connection with the services that his or her firm is providing to Emclaire, or (iii) that person is employed by a company that has entered into a confidentiality agreement with Emclaire and needs to know the information in connection with the matter that is the subject of the agreement.

This policy applies to all directors, officers, employees, consultants, and contractors of Emclaire and of each subsidiary, partnership, venture or other business association that is effectively controlled by Emclaire directly or indirectly.

The existence of a personal financial emergency does not excuse the need for compliance with this policy.

Additional Guidance

Short sales are prohibited

Short sales of Emclaire stock (a sale of securities which are not then owned), including a “sale against the box” (a sale with delayed delivery) are prohibited to Emclaire’s directors, officers, and employees.

Standing Orders

Standing orders (except standing orders under approved Rule 10b5-1 plans, see below) should be used only for a very brief period of time. The problem with purchases or sales resulting from standing instructions to a broker is that there is no control over the timing of the transaction. The broker could execute a transaction when you are in possession of inside information.

Civil and Criminal Penalties for non-compliance

The following penalties apply under SEC Rule 10b-5, which prohibits trading on inside information: (1) imprisonment for up to 20 years, (2) criminal fines of up to \$5 million, (3) civil penalties of up to three times the profits gained or losses avoided, (4) prejudgment interest, and (5) private party damages. In addition to damage to reputation, violation of this policy could result in termination from employment.

10b5-1 Plans

SEC Rule 10b5-1 provides a defense from insider trading liability under SEC Rule 10b-5. To be eligible for this defense, an insider may enter into a “10b5-1 plan” for trading in company stock. If the plan meets the requirements of Rule 10b5-1, company stock may be purchased or sold without regard to certain insider trading restrictions.

Any such 10b5-1 plan must be approved by the Board of Directors and meet the requirements of Rule 10b5-1.

In general, a 10b5-1 plan must be entered into at a time when there is no undisclosed material information. Once the plan is adopted, the insider must not exercise any influence over the number of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

Blackout Policy

This policy prohibits trading in Emclaire stock by officers, directors and certain employees, beginning 10 calendar days before the end of a quarter and ending two business days after earnings are released.

Who is covered by the Blackout Policy?

- Directors and Officers of Emclaire Financial Corp.
- Branch Mangers.
- All individuals reporting directly to the Senior Vice President / Chief Financial Officer.
- Certain employees in the Chief Financial Officer's group who are involved in the preparation of financial statements (to be determined by the Chief Financial Officer).
- Investor Relations professionals.
- Any director or employee of Emclaire designated by the Chief Financial Officer as being covered by this Blackout Policy.
- Corporate Communications professionals.
- Anyone in possession of non-public material information.
- Family members living in the same household as anyone covered by this Blackout Policy.

What transactions are prohibited during a blackout period?

- Open market purchase or sale of Emclaire stock.
- Purchase or sale of Emclaire stock through a broker (unless in accordance with pre-arranged written plans that comply with SEC Rule 10b5-1).
- Exercise of stock options where all or a portion of the acquired stock is sold during the blackout period.
- Switching existing balances into or out of any Emclaire stock fund in any savings plan or other benefit plans.
- New or regular cash investments in a dividend reinvestment plan.
- Extraordinary purchases through the dividend reinvestment plan.

What transactions are allowed during a blackout period?

- Exercise of stock options where no Emclaire stock is sold in the market to fund the option exercise.
- Regular and matching contributions to the Emclaire stock fund in a benefit plan.
- Regular reinvestment in the dividend reinvestment plan.
- Gifts of Emclaire stock, unless you have reason to believe the recipient intends to sell the shares during the current blackout period.
- Transfers of Emclaire stock to or from a trust.
- Transactions that comply with SEC Rule 10b5-1 pre-arranged written plans. For further information about pre-arranged plans, please contact the Corporate Secretary.

In addition to the standard end-of-quarter blackout periods, Emclaire may, from time to time, impose other blackout periods upon notice to those persons who are affected.

Employees not otherwise subject to the blackout periods are encouraged to refrain from trading Emclaire stock during blackout periods to avoid the appearance of improper trading.

Pre-Clearance of Stock Transactions

Emclaire directors, officers, and branch managers are obligated to pre-clear transactions in Emclaire stock. These transactions include all transactions noted above as being prohibited during a blackout period, as well as gifts and any stock option exercise.

Who authorizes the clearance?

- Corporate Secretary
- Attorneys designated by the Board of Directors or the Corporate Secretary.

In addition, other employees are encouraged to seek clearance on any transaction involving Emclaire stock to make sure there is no pending material event that could create an appearance of improper trading.

Section 16 Reports

Some officers and all Emclaire directors are obligated to file Section 16 with the SEC reports when they engage in transactions in Emclaire stock. Although the Corporate Secretary's office will assist reporting persons in preparing and filing the required reports, the reporting persons retain responsibility for the reports.

Who is obligated to file Section 16 reports?

- Emclaire directors
- Emclaire officers designated as "executive officers" for SEC reporting purposes by the Board of Directors.

Emclaire policy requires all officers and directors who are required to file Section 16 reports to pre-clear trades in Emclaire stock with designated counsel. Pre-clearance advice generally is good for two days, unless you come into contact with inside information during that time.

Form 144 Reports

Emclaire directors and certain Emclaire officers designated by the Board of Directors are required to file Form 144 before making an open market sale of Emclaire stock. Form 144 notifies the SEC of your intent to sell Emclaire stock. This form is generally prepared and filed by your broker and is in addition to the Section 16 reports filed on your behalf by the Corporate Secretary's Office.