

First Federal of Northern Michigan Bancorp, Inc.
Form DEF 14A
April 16, 2010

SCHEDULE 14-A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

First Federal of Northern Michigan Bancorp, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

\$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), or 14a-6(j)(2).

\$500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

.....

2) Aggregate number of securities to which transaction applies:

.....

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

.....

4) Proposed maximum aggregate value of transaction:

.....

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

April 16, 2010

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of First Federal of Northern Michigan Bancorp, Inc. (the "Company"). The Annual Meeting will be held at the Thunder Bay National Marine Sanctuary, 500 W. Fletcher Street, Alpena, Michigan, at 1:00 p.m. Michigan time on May 19, 2010.

The enclosed Notice of Annual Meeting and proxy statement describe the formal business to be transacted. During the Annual Meeting we will also report on our operations. Our directors and officers will be present to respond to any questions that stockholders may have. Also enclosed for your review is our Annual Report to Stockholders, which contains detailed information concerning our activities and operating performance.

The Annual Meeting is being held so that stockholders will be given an opportunity to elect two directors and ratify the appointment of Plante & Moran, PLLC as our independent registered public accountants for the year ending December 31, 2010.

For the reasons set forth in the proxy statement, the Board of Directors unanimously recommends a vote "FOR" the election of each of the directors and "FOR" the ratification of the appointment of Plante & Moran, PLLC as our independent registered public accountants for the 2010 fiscal year.

On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy card as soon as possible even if you currently plan to attend the Annual Meeting. Your vote is important, regardless of the number of shares that you own. Voting by proxy will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend the meeting.

Sincerely,

/s/ Michael W. Mahler

Michael W. Mahler
President and Chief Executive Officer

First Federal of Northern Michigan Bancorp, Inc.
100 South Second Avenue
Alpena, Michigan 49707
(989) 356-9041

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On May 19, 2010

Notice is hereby given that the Annual Meeting of Stockholders (the "Meeting") of First Federal of Northern Michigan Bancorp, Inc. will be held at the Thunder Bay National Marine Sanctuary, 500 W. Fletcher Street, Alpena, Michigan, on May 19, 2010 at 1:00 p.m., Michigan time.

A proxy statement and proxy card for the Meeting are enclosed.

The Meeting is for the purpose of considering and acting upon:

1. The election of two directors of First Federal of Northern Michigan Bancorp, Inc.;
2. The ratification of the appointment of Plante & Moran, PLLC as our independent registered public accountants for the year ending December 31, 2010; and

such other matters as may properly come before the Meeting, or any adjournments thereof. The Board of Directors is not aware of any other business to come before the Meeting.

Any action may be taken on the foregoing proposals at the Meeting on the date specified above, or on any date or dates to which the Meeting may be adjourned. Stockholders of record at the close of business on March 12, 2010 are the stockholders entitled to vote at the Meeting, and any adjournments thereof.

EACH STOCKHOLDER, WHETHER HE OR SHE PLANS TO ATTEND THE MEETING, IS REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD WITHOUT DELAY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ANY PROXY GIVEN BY THE STOCKHOLDER MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED. A PROXY MAY BE REVOKED BY FILING WITH OUR SECRETARY A WRITTEN REVOCATION OR A DULY EXECUTED PROXY BEARING A LATER DATE. ANY STOCKHOLDER PRESENT AT THE MEETING MAY REVOKE HIS OR HER PROXY AND VOTE PERSONALLY ON EACH MATTER BROUGHT BEFORE THE MEETING. HOWEVER, IF YOU ARE A STOCKHOLDER WHOSE SHARES ARE NOT REGISTERED IN YOUR OWN NAME, YOU WILL NEED ADDITIONAL DOCUMENTATION FROM YOUR RECORD HOLDER IN ORDER TO VOTE PERSONALLY AT THE MEETING.

By Order of the Board of Directors

/s/ Amy E. Essex

Amy E. Essex
Chief Financial Officer, Treasurer and
Corporate Secretary

Alpena, Michigan

April 16, 2010

IMPORTANT: A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 19, 2010: THIS PROXY STATEMENT, INCLUDING THE NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS, AND FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.'S 2009 ANNUAL REPORT TO STOCKHOLDERS ON FORM 10-K ARE EACH AVAILABLE ON THE INTERNET AT WWW.CFPProxy.COM/5807.

PROXY STATEMENT

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.

100 South Second Avenue

Alpena, Michigan 49707

(989) 356-9041

ANNUAL MEETING OF STOCKHOLDERS

MAY 19, 2010

This proxy statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of First Federal of Northern Michigan Bancorp, Inc. to be used at our Annual Meeting of Stockholders (the "Meeting"), which will be held at the Thunder Bay National Marine Sanctuary, 500 W. Fletcher Street, Alpena, Michigan, on May 19, 2010 at 1:00 p.m., Michigan time, and all adjournments thereof. The accompanying Notice of Annual Meeting of Stockholders and this proxy statement are first being mailed to stockholders on or about April 16, 2010.

REVOCATION OF PROXIES

Stockholders who execute proxies in the form solicited hereby retain the right to revoke them in the manner described below. Unless so revoked, the shares represented by such proxies will be voted at the Meeting and all adjournments thereof. Proxies solicited on behalf of our Board of Directors will be voted in accordance with the directions given thereon. Please sign and return your proxy to our corporate secretary at First Federal of Northern Michigan Bancorp, Inc. in order for your vote to be counted. Where no instructions are indicated, signed proxies will be voted "FOR" the proposals set forth in this proxy statement for consideration at the Meeting.

A proxy may be revoked at any time prior to its exercise by sending written notice of revocation to our Secretary, Amy E. Essex, at our address shown above, or by filing a duly executed proxy bearing a later date or by voting in person at the Meeting. The presence at the Meeting of any stockholder who had given a proxy shall not revoke such proxy unless the stockholder delivers his or her ballot in person at the Meeting or delivers a written revocation to our Secretary prior to the voting of such proxy.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Except as otherwise noted below, holders of record of our common stock ("common stock") at the close of business on March 12, 2010 (the "Voting Record Date") are entitled to one vote for each share held. As of the Voting Record Date, there were 2,884,249 shares of common stock outstanding. The presence in person or by proxy of at least a majority of the outstanding shares of common stock entitled to vote is necessary to constitute a quorum at the Meeting.

In accordance with the provisions of our Articles of Incorporation, record holders of common stock who beneficially own in excess of 10% of the outstanding shares of common stock (the "Limit") are not entitled to any vote with respect to the shares held in excess of the Limit. Our Articles of Incorporation authorize the Board of Directors (i) to make all determinations necessary to implement and apply the Limit, including determining whether persons or entities are acting in concert, and (ii) to demand that any person who is reasonably believed to beneficially own stock in excess of

the Limit supply information to us to enable the Board of Directors to implement and apply the Limit.

Persons and groups who beneficially own in excess of five percent of our common stock are required to file certain reports with the Securities and Exchange Commission (the "SEC") regarding such ownership pursuant to the Exchange Act.

The following table sets forth the beneficial ownership of our common stock held by our directors and executive officers, individually and as a group, and all individuals known to management to own more than 5% of our common stock as of the Voting Record Date. The business address of each director and executive officer and of the First Federal of Northern Michigan Employee Stock Ownership Plan is 100 South Second Avenue, Alpena, Michigan 49707.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned (1)	Percent of All Common Stock Outstanding(13)
Five Percent Stockholders:		
Investors of America Limited Partnership (2) 135 North Meramec Clayton, Missouri 63105	149,000	5.2
Financial & Investment Management Group Ltd (3) 111 Cass Street Traverse City, Michigan 49684	278,974	9.7
First Federal of Northern Michigan Employee Stock Ownership Plan	182,570	6.3
Directors and Executive Officers:		
James C. Rapin	30,942 (4)	1.1
Martin A. Thomson	92,531 (5)	3.2
Thomas R. Townsend	21,751 (6)	*
Gary C. VanMassenhove	21,540 (7)	*
Keith D. Wallace	30,173 (8)	*
Michael W. Mahler	44,725 (9)	*
Amy E. Essex	23,696 (10)	*
Jerome W. Tracey	40,647 (11)	*
All directors and executive officers as a group (8 persons)	306,005 (12) (13)	10.6 %

* Less than 1%.

(1) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner for purposes of this table of any shares of common stock if he has sole or shared voting or investment power with respect to such security, or has a right to acquire beneficial ownership at any time within 60 days from the date as of which beneficial ownership is being determined. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares.

(2) Based on a Schedule 13G filed with the Securities and Exchange Commission on January 22, 2008.

(3) Based on a Schedule 13G filed with the Securities and Exchange Commission on February 23, 2010.

(4) Includes 5,540 shares that may be acquired pursuant to presently exercisable stock options.

(5) Includes 17,108 shares that may be acquired pursuant to presently exercisable stock options.

(6) Includes 5,540 shares that may be acquired pursuant to presently exercisable stock options.

- (7) Includes 5,540 shares that may be acquired pursuant to presently exercisable stock options.
- (8) Includes 5,540 shares that may be acquired pursuant to presently exercisable stock options.
- (9) Includes 13,040 shares that may be acquired pursuant to presently exercisable stock options.
- (10) Includes 9,074 shares that may be acquired pursuant to presently exercisable stock options.
- (11) Includes 10,922 shares that may be acquired pursuant to presently exercisable stock options.
- (12) Includes 70,508 shares held indirectly by executive officers in Bank-sponsored qualified retirement plans, which consists of 51,791 shares allocated to the accounts of executive officers under the 401(k) Plan and excludes the remaining 20,024 shares owned by the 401(k) Plan for the benefit of employees, and 18,717 shares allocated to the accounts of executive officers under the ESOP and excludes the remaining 163,853 shares owned by the ESOP for the benefit of employees. Under the terms of the 401(k) Plan and the ESOP, shares of common stock allocated to the accounts of employees are voted in accordance with the instructions of the respective employees. Unallocated shares in the ESOP are voted by the ESOP trustee in a manner calculated to most accurately reflect the instructions it has received from participants regarding the allocated shares, unless its fiduciary duty requires otherwise.
- (13) Includes 72,304 shares that may be acquired pursuant to presently exercisable stock options; calculation of percentage reflects the inclusion of such shares.

* Less than 1%

VOTING PROCEDURES AND METHOD OF COUNTING VOTES

As to the election of the directors, the proxy card provided by the Board of Directors enables a stockholder to vote “FOR” the election of the nominees proposed by the Board of Directors or to “WITHHOLD AUTHORITY” to vote for the nominees being proposed. Under Maryland law and our Articles of Incorporation and Bylaws, directors are elected by a plurality of the shares voted at the Meeting without regard to either broker non-votes or proxies as to which the authority to vote for the nominee is withheld. Plurality means that individuals who receive the largest number of votes cast are elected, up to the maximum number of directors to be elected at the Meeting.

As to the ratification of Plante & Moran, PLLC as our independent registered public accountants, by checking the appropriate box a stockholder may vote “FOR” the item, vote “AGAINST” the item or “ABSTAIN” from voting on the item. The ratification of independent registered public accountants must be approved by a majority of the shares voted at the Meeting without regard to broker non-votes or proxies marked “ABSTAIN.”

In the event at the time of the Meeting there are not sufficient votes for a quorum or to approve or ratify any matter being presented, the Meeting may be adjourned in order to permit the further solicitation of proxies.

Proxies solicited hereby will be returned to us and will be tabulated by the Internal Auditor of First Federal of Northern Michigan, the inspector of election designated by our Board of Directors.

PROPOSAL I—ELECTION OF DIRECTORS

Our Board of Directors is comprised of six persons, and is divided into three classes with one class of directors elected each year. Directors are generally elected to serve for a three-year period or until their respective successors shall have been elected and shall qualify. Our Nominating Committee, which is comprised of all of our independent directors, has nominated Keith D. Wallace and Michael W. Mahler to serve as directors for three-year terms. Messrs. Wallace and Mahler are currently members of the Board of Directors and have agreed to serve, if elected.

The table below sets forth certain information, as of the Voting Record Date, regarding the Board of Directors and executive officers. It is intended that the proxies solicited on behalf of the Board of Directors (other than proxies in which the vote is withheld as to the nominees) will be voted at the Meeting for the election of the nominees identified below. If a nominee is unable to serve, the shares represented by all such proxies will be voted for the election of such substitute as the Board of Directors may recommend. At this time, the Board of Directors knows of no reason why either of the nominees might be unable to serve, if elected. There are no arrangements or understandings between either of the nominees and any other person pursuant to which the nominees were selected.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” THE NOMINEES LISTED IN THIS PROXY STATEMENT.

Name	Age	Positions Held	Director Since	Term Expires
NOMINEES				
Keith D. Wallace	68	Director	1988	2010
Michael W. Mahler	46	President and Chief Executive Officer and Director	2008	2010
DIRECTORS				
James C. Rapin	69	Director	1985	2011
Martin A. Thomson	61	Chairman of the Board	1986	2011
Gary C. VanMassenhove	63	Director	2001	2012
Thomas R. Townsend	58	Director	2002	2012
EXECUTIVE OFFICERS				
Amy E. Essex	46	Chief Financial Officer, Treasurer and Corporate Secretary	N/A	N/A
Jerome W. Tracey	50	Executive Vice President, Chief Lending Officer	N/A	N/A