

First Federal of Northern Michigan Bancorp, Inc.  
Form DEF 14A  
April 16, 2015

**SCHEDULE 14-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)

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(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 13, 2015

Dear Stockholder:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of First Federal of Northern Michigan Bancorp, Inc. (the "Company"). The Annual Meeting will be held at the Art in the Loft, 109 North Second Ave, Suite 300, Alpena, Michigan, at 1:00 p.m. Michigan time on Wednesday, May 13, 2015.

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 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 may vote upon the election of three directors, the ratification of the appointment of Plante & Moran, PLLC as our independent registered public accountants for the year ending December 31, 2015 and a proposal to consider and approve a non-binding advisory resolution regarding the compensation of the Company's named executive officers ("say on pay").

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the enclosed proxy card promptly. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card.

Sincerely,

/s/ Michael W. Mahler  
Michael W. Mahler  
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 13, 2015

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 Art in the Loft, 109 North Second Ave, Suite 300, Alpena, Michigan, on Wednesday, May 13, 2015 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 three 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, 2015;
3. To consider and approve a non-binding advisory resolution regarding the compensation of the Company's named executive officers; 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 31, 2015 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/ Eileen M. Budnick

Eileen M. Budnick  
Vice President –  
Director of Financial  
Reporting and  
Accounting, Treasurer  
and Corporate  
Secretary

Alpena, Michigan

April 13, 2015

**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 WEDNESDAY, MAY 13, 2015: THIS PROXY STATEMENT, INCLUDING THE NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS, AND FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.'S 2014 ANNUAL REPORT TO STOCKHOLDERS ON FORM 10-K ARE EACH AVAILABLE ON THE INTERNET AT [www.FIRST-FEDERAL.COM](http://www.FIRST-FEDERAL.COM).**

PROXY STATEMENT

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

**100 South Second Avenue**

**Alpena, Michigan 49707**

**(989) 356-9041**

ANNUAL MEETING OF STOCKHOLDERS

MAY 13, 2015

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 Art in the Loft, 109 North Second Ave, Suite 300, Alpena, Michigan, on Wednesday, May 13, 2015 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 13, 2015.

**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.** Proxies solicited on behalf of the Company's Board of Directors will be voted in accordance with the directions given thereon. **Where no instructions are indicated, validly executed proxies will be voted "FOR" proposals 1, 2 and 3 set forth in this Proxy Statement.**

The Board of Directors knows of no additional matters that will be presented for consideration at the Annual Meeting. Execution of a proxy, however, confers on the designated proxy holder's discretionary authority to vote the shares in accordance with their best judgment on such other business, if any, which may properly come before the Annual Meeting or any adjournments thereof.

A proxy may be revoked at any time prior to its exercise by sending written notice of revocation to our Secretary 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 Annual 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 Annual 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 31, 2015 (the "Voting Record Date") are entitled to one vote for each share held. As of the Voting Record Date, there were 3,727,014 shares of common stock outstanding. The presence in person or by proxy of 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 is 100 South Second Avenue, Alpena, Michigan 49707.

Name of Beneficial Owner	<b>Number of Shares of Common Stock Beneficially Owned <sup>(1)</sup></b>	Percent of All Common Stock Outstanding
<b><u>Five Percent Stockholders:</u></b>		
Tontine Financial Partners, L.P. <sup>(2)</sup> 1 Sound Shore Drive, Suite 304 Greenwich, CT 06830	233,759	6.27 %
<b>Directors and Executive Officers:</b>		
Richard L. Crittenden	46,470	1.3
Timothy E. Fitzpatrick	95,263	2.4
Christopher B. McCoy	20,137	*
Eric G. Smith	29,127	*
Martin A. Thomson	100,972 <sup>(3)</sup>	2.8
Thomas R. Townsend	32,254 <sup>(4)</sup>	*
Gary C. VanMassenhove	26,900 <sup>(5)</sup>	*
James E. Kraenzlein	4,400	*
Michael W. Mahler	66,700 <sup>(6)</sup>	1.8
Craig A. Kus	23,234	*
Eileen M. Budnick	6,194 <sup>(7)</sup>	*
Jerome W. Tracey	53,108 <sup>(8)</sup>	1.4
All directors and executive officers as a group (12 persons)	504,759	13.5 %

\* Less than 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 (1) 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/A filed jointly by Tontine Financial Partners, L.P., Tontine Management, L.L.C. and Jeffrey L. Gendell on February 13, 2015.
- (3) Includes 24,600 shares that may be acquired pursuant to presently exercisable stock options and 16,970 shares held in Mr. Thomson's 401(k) plan.
- (4) Includes 8,400 shares that may be acquired pursuant to presently exercisable stock options.
- (5) Includes 8,400 shares that may be acquired pursuant to presently exercisable stock options.
- (6) Includes 20,900 shares that may be acquired pursuant to presently exercisable stock options and 37,191 shares held in Mr. Mahler's 401(k) account.
- (7) Includes 2,600 shares that may be acquired pursuant to presently exercisable stock options and 3,044 shares held in Mrs. Budnick's 401(k) account.
- (8) Includes 14,290 shares that may be acquired pursuant to presently exercisable stock options and 30,870 shares held in Mr. Tracey's 401(k) account.

#### **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.”

As to the advisory, non-binding resolution with respect to our executive compensation as described in this Proxy Statement, a shareholder may: (i) vote “FOR” the resolution; (ii) vote “AGAINST” the resolution; or (iii) “ABSTAIN” from voting on the resolution. The affirmative vote of a majority of the votes cast at the Annual Meeting, without regard to broker non-votes and proxies marked “ABSTAIN,” is required for the approval of the non-binding resolution. While this vote is required by law, it will neither be binding on the Company or the Board of Directors, nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, the Company or the Board of Directors.

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 nine 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 independent directors, has nominated Gary C. VanMassenhove, Thomas R. Townsend and Richard L. Crittenden to serve as directors for three-year terms. Messrs. Van Massenhove, Townsend and Crittenden are currently members of the Board of Directors and have agreed to serve as directors, 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				
Gary C. VanMassenhove	68	Director	2001	2015
Thomas R. Townsend	63	Director	2002	2015
Richard L. Crittenden	57	Director	2014	2015
DIRECTORS				
Michael W. Mahler	51	Chief Executive Officer and Director	2008	2016
Christopher B. McCoy	66	Director	2014	2016
Eric G. Smith	61	Director	2014	2016
Martin A. Thomson	66	Chairman of the Board	1986	2017
James E. Kraenzlein	43	Director	2013	2017
Timothy E. Fitzpatrick	63	Director	2014	2017
EXECUTIVE OFFICERS				
Craig A. Kus	61	President and Chief Operating Officer	n/a	n/a
Eileen M. Budnick	39	VP-Director of Financial Reporting and Accounting, Treasurer and Corporate Secretary	n/a	n/a
Jerome W. Tracey	55	Executive Vice President, Chief Lending Officer	n/a	n/a

The business experience for the past five years of each of our directors and executive officers is set forth below. Unless otherwise indicated, directors and executive officers have held their positions for the past five years.

#### Directors

**Martin A. Thomson** was our Chief Executive Officer until his retirement from that position in May 2008. From 2001 until 2006, he was also our President. Upon his retirement as Chief Executive Officer, Mr. Thomson was appointed Chairman of the Board. Mr. Thomson previously held the position of President and Chief Executive Officer of Presque Isle Electric and Gas Cooperative, Inc., Onaway, Michigan.

**James E. Kraenzlein** is a certified public accountant and is a partner at Straley, Lamp & Kraenzlein, P.C., a certified public accounting firm headquartered in Alpena, Michigan.

**Thomas R. Townsend** is the President of R.A. Townsend Co., a plumbing, heating and air conditioning distributor located in Alpena, Michigan, where he has been employed for the past 35 years.

**Gary C. VanMassenhove** is an accountant with the firm Straley, Lamp & Kraenzlein, P.C., a certified public accounting firm headquartered in Alpena, Michigan. Mr. VanMassenhove has been a Certified Public Accountant for over 40 years.

**Michael W. Mahler** was appointed as our Chief Executive Officer in May 2008. He had previously served as our President and Chief Operating Officer from January 2006. Prior to his appointment as President and Chief Operating Officer, Mr. Mahler was our Executive Vice President since November 2004. Prior to that appointment, since

November 2002, Mr. Mahler was our Chief Financial Officer. From September 2000 until November 2002, Mr. Mahler was Corporate Controller at Besser Company, Alpena, Michigan, an international producer of concrete products equipment. From 1990 until 2000, Mr. Mahler was employed at LTV Steel Company, East Chicago, Indiana where he served in financial roles of increasing responsibility and served, from 1997 until 2000, as Controller for a northeast Michigan division.

***Timothy E. Fitzpatrick*** is the President of WMCR, a restaurant holding company located in Alpena, Michigan, where he has been employed for the past 35 years.

***Christopher B. McCoy*** is the President of Magnaloy Coupling, a manufacturing company that produces a light weight, heavy-duty flexible drive coupling, located in Alpena, Michigan, where he has been employed for the past 38 years.

**Richard L. Crittenden** is the President of DeVere Construction Co., a general contractor and construction company located in Alpena, Michigan, where he has been employed for the past 35 years.

**Eric G. Smith** is the President of Panel Processing, a panel fabricating plant located in Alpena, Michigan, where he has been employed for the past 23 years. In addition, Mr. Smith is a Certified Public Accountant.

#### Executive Officers Who Are Not Directors

**Craig A. Kus** has, since the consummation of our merger with Alpena Banking Corporation in August 2014, served as our President and Chief Operating Officer. Prior to joining the Bank, Mr. Kus served as the President and Chief Executive Officer of the Bank of Alpena and Alpena Banking Corporation, Alpena Michigan, a position he held since the Bank of Alpena's inception in 2001. Mr. Kus has been in the banking profession since 1977.

**Eileen M. Budnick** was named VP- Director of Financial Reporting & Accounting, Treasurer and Corporate Secretary of the Company and the Bank in May 2013. Mrs. Budnick had served as Controller of the Bank since April 2008 and had served, since February 2007, as Assistant Controller, and prior to that appointment served, since February 2002, as a staff accountant for the Bank. Prior to February 2002, Mrs. Budnick was employed at Alpena Alcona Area Credit Union serving in various banking positions since September 1993.

**Jerome W. Tracey** was appointed as our Executive Vice President and Chief Lending Officer in January 2006. Prior to this appointment, Mr. Tracey was Senior Vice President, Senior Lender since September 2001. Prior to joining First Federal of Northern Michigan, Mr. Tracey served as Vice President of Commercial Lending for National City Bank, Alpena, Michigan, a position he held since 1996. Mr. Tracey has been in the banking profession since 1981.

#### Attributes/Skills of Directors

When considering whether directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively, the Nominating Committee and the Board of Directors focused primarily on the information included in each of the directors' individual biographies set forth above. The particular experience, qualifications, attributes or skills that led the Board of Directors to conclude that each person could serve as a director of the Company are summarized below.

Martin A. Thomson – In addition to being our former President and Chief Executive Officer who provides institutional knowledge about our operations, Mr. Thomson has had extensive business experience with two successful small businesses in the Alpena community. He was the owner/operator of a building construction company for 20 years and a gas station/convenience store for 10 years. Mr. Thomson also served as President and Chief Executive Officer of a gas and electric utility for nine years, and served as the utility's board chairman for 16 years. He served for several years on the boards of associated national and state trade organizations. He also has served on numerous governmental and community boards and committees. At these enterprises and community organizations, Mr. Thomson was responsible for business development, strategic planning, and mergers and acquisitions, where he has drawn on his strong financial analysis, organizational modeling and strategic planning skills. This expertise has been valuable to the Company as it considers and evaluates its own strategic opportunities.

Gary C. VanMassenhove – Mr. VanMassenhove is a CPA and partner with an Alpena-based public accounting firm, where he has a varied client base and has extensive experience in all phases of public accounting. Early in his career, Mr. VanMassenhove was employed by an international accounting firm, where he was responsible for the audits of several corporations subject to the public company reporting requirements of the Securities Exchange Act of 1934. His skills and experience in this area are important to the Board, particularly in his service on the Audit Committee.

Thomas R. Townsend – Mr. Townsend is the President of a plumbing, heating and air conditioning distributor located in Alpena, Michigan, where he has been employed for the past 36 years. Mr. Townsend also serves as vice-chair of the Board of Directors of Alpena Community College. His experiences in his corporate leadership role as well as his community service history bring a unique and insightful perspective to the Board.

James E. Kraenzlein – Mr. Kraenzlein is a CPA/CVA/ABV and a partner with an Alpena-based public accounting firm, where he leads the business valuation, fraud analytics and litigation support service sectors of the firm. His skills and experience in these areas are important to the Board as they relate to valuation analysis and internal control areas of the Company.

Michael W. Mahler – Mr. Mahler has a background in the financial and operational aspects of several large companies. He has served as the Chief Financial Officer and Executive Vice President of the Bank and the Company before assuming the role of Chief Executive Officer in 2008. He provides the Board of Directors with broad perspective on the Company’s strategies, challenges and opportunities as a result of his role as the Chief Executive Officer of the Company.

Timothy E. Fitzpatrick – Mr. Fitzpatrick is the President of a restaurant holding company located in Alpena, Michigan, where he has been employed for the past 35 years. Prior to service on our board, Mr. Fitzpatrick served on the Board of Directors of Bank of Alpena since its inception in 2001. His corporate experience and years of service as a director brings broad knowledge of the banking industry for evaluation of bank strategies, challenges and growth opportunities.

Christopher B. McCoy – Mr. McCoy is the President of Magnaloy Coupling, a manufacturing company that produces a light weight, heavy-duty flexible drive coupling, located in Alpena, Michigan, where he has been employed for the past 38 years. Prior to service on our board, Mr. McCoy served on the Board of Directors of Bank of Alpena since its inception in 2001 and held a board seat on the community board of First of America Bank in Alpena. His years of service on a bank board bring extensive knowledge of the banking industry for evaluation of bank strategies, challenges and growth opportunities.

Richard L. Crittenden – Mr. Crittenden is the President of DeVere Construction Co., a general contractor and construction company located in Alpena, Michigan, where he has been employed for the past 35 years. Prior to service on our board, Mr. Crittenden served on the Board of Directors of Bank of Alpena since its inception in 2001 and held a board seat on the community board of First of America Bank in Alpena. Mr. Crittenden’s years of service on a bank board brings extensive knowledge of the banking industry for evaluation of bank strategies, challenges and growth opportunities.

Eric G. Smith – Mr. Smith is the President of Panel Processing, a panel fabricating plant located in Alpena, Michigan, where he has been employed for the past 23 years. In addition, Mr. Smith is a Certified Public Accountant. Prior to service on our board, Mr. Smith served on the Board of Directors of Bank of Alpena since 2011. His abilities and proficiency in these areas are important to the Board as they relate to risk analysis and asset and liability management areas of the Company.

The Nominating Committee and the Board of Directors do not have a formal diversity policy in identifying nominees for director. However, in considering all of the attributes of an effective director in the context of existing members of the Board, the Committee and the Board do consider differences of viewpoint (including different viewpoints derived from diverse race, gender and national origin), professional experience, education and skills so as to achieve balance and heterogeneity in backgrounds and experiences on the Board.

#### Board Independence, Leadership Structure and Risk Oversight

The Board of Directors has determined that, except for Mr. Mahler, each member of the Board is an “independent director” within the meaning of the Nasdaq corporate governance listing standards. Mr. Mahler is not considered independent because he is a current executive officer.



To assure effective and independent oversight of management, the Board of Directors has separated the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between these two roles in management of the Company. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board provides guidance to the Chief Executive Officer, sets the agenda for Board meetings and presides over meetings of the full Board. The Chairman of the Board is an independent, non-management role.

The Board of Directors has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board regularly reviews reports from members of senior management on areas of material risk to the Company, including credit, financial, operational, liquidity, legal and regulatory risks. In reviewing the reports, the full Board, or the appropriate Committee in the case of risks that are under the purview of a particular Committee, discuss with the members of senior management responsible for the areas covered by the reports how risks have been identified and what strategies and procedures have been put in place to mitigate risks. When a Committee receives a report, the Chairman of the relevant Committee communicates the results of the report review to the full Board at the next Board meeting. This enables the Board and its Committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

### **References to our Website Address**

References to our website address throughout this proxy statement and the accompanying materials are for informational purposes only, or to fulfill specific disclosure requirements of the SEC's rules or the listing standards of the Nasdaq Stock Market. These references are not intended to, and do not, incorporate the contents of our website by reference into this proxy statement or the accompanying materials.

### **Meetings and Committees of the Board of Directors**

**General.** Our Board of Directors meets on a monthly basis and may hold additional special meetings.

During the year ended December 31, 2014, our Board of Directors held twelve regular meetings and two special meeting. No member of the Board or any committee thereof attended fewer than 75% of the aggregate of: (i) the total number of meetings of the Board of Directors (held during the period for which he has been a director); and (ii) the total number of meetings held by all committees of the board on which he served (during the periods that he served). Executive sessions of the independent directors are held on a regularly scheduled basis.

Our standing board committees include the Executive, Audit, Nominating and Compensation Committees. The Board of Directors appoints all committee members.

**Executive Committee.** The Executive Committee is authorized to act with the same authority as the Board of Directors between meetings of the Board, and is comprised of the full Board. The Executive Committee met twice during 2014.

**Compensation Committee.** The Compensation Committee meets periodically to review the performance of officers and to determine compensation of officers to be recommended to the Board. It is comprised of Messrs. Thomson, Kraenzlein, Townsend and VanMassenhove, each of whom is considered independent as defined in the Nasdaq corporate governance listing standards. Our Board of Directors has adopted a written charter for the Compensation Committee, which is available on our website at [www.first-federal.com](http://www.first-federal.com). The Compensation Committee met three times in 2014.

The Compensation Committee reviews annually the compensation levels of the executive officers and the fee level of directors and recommends compensation and fee changes to the full Board of Directors. The Committee intends that executive compensation be structured so as to attract, develop and retain talented executive officers and directors who are capable of maximizing our performance for the benefit of our stockholders. The Committee also seeks to set compensation and fee levels that are competitive in the markets in which we operate.

As described immediately below, our compensation program is primarily comprised of two fundamental components: (1) base salary and (2) annual performance-based cash bonuses. In addition to these two primary elements, we have adopted a stock-based compensation plan and Bank-wide retirement benefits.

*Base Salary* – Base salaries for all employees, including executive officers, are based on market-based pay ranges made available from the Independent Community Bankers of America (ICBA), the American Bankers Association (ABA), the Michigan Bankers Association (MBA) and the McLagan (an AON financial compensation consulting firm) Compensation Survey. Recommendations are submitted by management to the Board and all base salary levels are approved by the Compensation Committee. We participate in the McLagan, ICBA, ABA and MBA compensation surveys and in return are able to access current market compensation data and trends. The Compensation Committee conducts a performance review of the Chief Executive Officer. The Chief Executive Officer, in turn, conducts the performance reviews of the President, Executive Vice President and VP-Director of Financial Reporting and Accounting. However, the Compensation Committee retains complete authority to establish base salaries, after such performance reviews and management recommendations.

*Annual Cash Bonuses* – All employees, including executive officers, are eligible to receive annual cash bonuses pursuant to our “Staff Incentive Plan” if the Bank meets a net after-tax income goal, which is established annually by the Board of Directors based on the recommendation of management. No executive officer received a bonus in 2014 because we did not meet our financial performance targets for the year.

*Stock-Based Compensation* – Our 2006 Stock-Based Incentive Plan, which was approved by our shareholders in 2006, permits the award of up to 173,386 stock options and 69,354 restricted shares of common stock. Individual awards of options and restricted stock to executive officers and directors, reported on elsewhere in this proxy statement, were established by the Committee based on the relative positions of the executive officers within our organization, as well as a review of awards made at similarly sized institutions.

*Employee Stock Ownership Plan* – Until 2014, we had an employee stock ownership plan that covered substantially all employees who had completed one year of service, attained age 21, and worked at least 1,000 hours during the year. Shares of common stock were allocated annually to employees based on each employee’s relative compensation for each year. As of December 31, 2014 this benefit plan has been terminated and funds have been distributed to participants or rolled over into an individual retirement account (IRA) or the 401(k) plan.

*Retirement Benefits* – Like all employees, each executive officer is covered under our defined benefit retirement plan, which was frozen effective July 1, 2005. In addition, each executive officer is eligible to participate in our 401(k) plan.

We encourage directors, officers and employees to own shares of our common stock, as their means permit. However, we do not currently have any stock ownership guidelines for our executive officers or directors.

*Nominating Committee.* The Nominating Committee, which consists of Directors Thomson, Kraenzlein, Townsend, VanMassenhove, Fitzpatrick, McCoy, Crittenden and Smith, nominates individuals for election as directors. Each member of the Nominating Committee is considered “independent” as defined in the Nasdaq corporate governance listing standards. Our Board of Directors has adopted a written charter for the Nominating Committee, which is available on our website at [www.first-federal.com](http://www.first-federal.com). The Committee met once during 2014.

The functions of the Nominating Committee include the following:

- to lead the search for individuals qualified to become members of the Board and to select director nominees to be presented for stockholder approval;
- to review and monitor compliance with the requirements for Board independence;
- to review the committee structure and make recommendations to the Board regarding committee membership;
- to develop and recommend to the Board for its approval a set of corporate governance guidelines; and
- to develop and recommend to the Board for its approval a self-evaluation process for the Board and its committees.

The Nominating Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are first considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service, or if the Committee or the Board decides not to re-nominate a member for re-election, or if the size of the Board is increased, the Committee would solicit suggestions for director candidates from all Board members. In addition, the Committee is authorized by its charter to engage a third party to assist in the identification of director nominees. The Nominating Committee would seek to identify a candidate who at a minimum satisfies the following criteria:



- has the highest personal and professional ethics and integrity;
- has had experiences and achievements that have given him or her the ability to exercise and develop good business judgment;
- is willing to devote the necessary time to the work of the Board and its committees, which includes being available for Board and committee meetings;
- is familiar with the communities in which we operate and/or is actively engaged in community activities;
- is involved in other activities or interests that do not create a conflict with his or her responsibilities to the us and our stockholders; and
- has the capacity and desire to represent the balanced, best interests of our stockholders as a group, and not primarily a special interest group or constituency.

In addition, the Nominating Committee will determine whether a candidate satisfies the qualifications requirements of our Bylaws, which require any person appointed or elected to the Board of Directors to reside or work in a county in which First Federal of Northern Michigan maintains an office (at the time of appointment or election) or in a county contiguous to a county in which we maintain an office.

Finally, the Nominating Committee will take into account whether a candidate satisfies the criteria for “independence” under the Nasdaq corporate governance listing standards, and if a nominee is sought for service on the audit committee, the financial and accounting expertise of a candidate, including whether the individual qualifies as independent for audit committee standards under the federal securities rules and as an audit committee financial expert.

***Procedures for the Nomination of Directors by Stockholders.*** The Nominating Committee has adopted procedures for the submission of director nominees by stockholders. There have been no material changes to these procedures since they were previously disclosed in the proxy statement for our last annual meeting of stockholders. If a determination is made that an additional candidate is needed for the Board, the Nominating Committee will consider candidates submitted by our stockholders. Stockholders can submit qualified names of candidates for director by writing to our Corporate Secretary at 100 South Second Avenue, Alpena, Michigan 49707. The Corporate Secretary must receive a submission not less than ninety (90) days prior to the anniversary date of our proxy materials for the preceding year’s annual meeting for a candidate to be considered for next year’s annual meeting of stockholders. The submission must include the following information:

- a statement that the writer is a stockholder and is proposing a candidate for consideration by the Nominating Committee;
- the qualifications of the candidate and why the candidate is being proposed;
- the name and address of the stockholder as they appear on our books, and number of shares of our common stock that are owned beneficially by such stockholder (if the stockholder is not a holder of record, appropriate evidence of the stockholder’s ownership will be required);
- the name, address and contact information for the candidate, and the number of shares of our common stock that are owned by the candidate (if the candidate is not a holder of record, appropriate evidence of the stockholder’s ownership will be required);
- a statement of the candidate’s business and educational experience;

- such other information regarding the candidate as would be required to be included in the proxy statement pursuant to SEC Rule 14A;
- a statement detailing any relationship between the candidate and us;
- a statement detailing any relationship between the candidate and any of our customers, suppliers or competitors;
- detailed information about any relationship or understanding between the proposing stockholder and the candidate; and
- a statement that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

Submissions that are received and that meet the criteria outlined above are forwarded to the Chairman of the Nominating Committee for further review and consideration. A nomination submitted by a stockholder for presentation by the stockholder at an annual meeting of stockholders must comply with the procedural and informational requirements described in this proxy statement under the heading “Stockholder Proposals.” We did not receive any outside submissions for Board nominees for the Meeting.

***Stockholder Communications with the Board.*** Any of our stockholders who wish to communicate with the Board or with any individual director may write to our Corporate Secretary, 100 South Second Avenue, Alpena, Michigan 49707, Attention: Board Administration. The letter should indicate that the author is a stockholder and if shares are not held of record, should include appropriate evidence of stock ownership. Depending on the subject matter, management will:

- forward the communication to the director or directors to whom it is addressed;
- attempt to handle the inquiry directly, for example where it is a request for information about us or a stock-related matter; or
- not forward the communication if it is primarily commercial in nature, relates to an improper or irrelevant topic, or is unduly hostile, threatening, illegal or otherwise inappropriate.

At each Board meeting, management will present a summary of all communications received since the last meeting that were not forwarded and make those communications available to the directors.

***The Audit Committee.*** The Audit Committee reviews our records and affairs to determine our financial condition, reviews with management and the independent auditors the systems of internal control, and monitors adherence in accounting and financial reporting to accounting principles generally accepted in the United States of America. The Audit Committee consists of Directors Thomson, Townsend, VanMassenhove and Kraenzlein. Each member of the Audit Committee is considered “independent” as defined in the Nasdaq corporate governance listing standards and under SEC Rule 10A-3. The Board of Directors has determined that Gary C. VanMassenhove, a certified public accountant, qualifies as an “audit committee financial expert” as that term is defined by the rules and regulations of the SEC. The Audit Committee met four times during 2014. The Audit Committee reports to the Board on its activities and findings. The duties and responsibilities of the Audit Committee include, among other things:

- retaining, overseeing and evaluating a firm of independent certified public accountants to audit our annual financial statements;
- in consultation with the independent registered public accountants and the internal auditor, reviewing the integrity of our financial reporting processes, both internal and external;
- approving the scope of the audit in advance;

- reviewing the financial statements and the audit report with management and the independent registered public accountants;
- considering whether the provision by the external independent registered public accountants of services not related to the annual audit and quarterly reviews is consistent with maintaining the independent registered public accounting firm's independence;
- reviewing earnings and financial releases and quarterly reports filed with the SEC;
- consulting with the internal audit staff and reviewing management's administration of the system of internal accounting controls;
- approving all engagements for audit and non-audit services in excess of \$5,000 by the independent registered public accountants; and
- reviewing the adequacy of the audit committee charter.

The Audit Committee operates under a written charter adopted by the Board of Directors which is available on our website at [www.first-federal.com](http://www.first-federal.com).

#### Audit Committee Report

Management has the primary responsibility for our internal controls and financial reporting processes. The independent registered public accountants are responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

As part of its ongoing activities, the Audit Committee has:

- reviewed and discussed with management, and the independent registered public accountants, our audited consolidated financial statements for the year ended December 31, 2014;
- discussed with the independent registered public accountants the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; and
- received the written disclosures and the letter from the independent registered public accountants required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with the independent registered public accountants their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2014 and be filed with the SEC. In addition, the Audit Committee engaged Plante & Moran, PLLC as our independent registered public accountants for the year ending December 31, 2015, subject to the ratification of this appointment by our stockholders.

Plante & Moran, PLLC did not use the services of any persons other than its full-time permanent employees on its audit of our 2014 consolidated financial statements.

This report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under such Acts.





The Audit Committee

Gary C. VanMassenhove (Chairman)

Martin A. Thomson

Thomas R. Townsend

James E. Kraenzlein

Code of Ethics

We have adopted a Code of Ethics that is applicable to our officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics is available on our website at [www.first-federal.com](http://www.first-federal.com). Amendments to and waivers from the Code of Ethics will also be disclosed on our website. There were no such amendments or waivers in 2014.

Attendance at Annual Meetings of Stockholders

We do not have a policy regarding director attendance at annual meetings of stockholders, although directors are requested to attend these meetings absent unavoidable conflicts. All of our directors attended our 2014 annual meeting of stockholders except Directors Crittenden, Fitzpatrick, Smith and McCoy, each of whom was appointed to the board subsequent to the 2014 annual meeting.

## Executive Compensation

The following table sets forth for the years ended December 31, 2014 and 2013 certain information as to the total remuneration paid by us to Michael W. Mahler, our Chief Executive Officer, and our other most highly compensated executive officers other than Mr. Mahler (the “Named Executive Officers”). For a narrative description of information included in this table, please see the discussion in this proxy statement under the heading “Benefit Plans.”

Name and principal position	Year	Salary (\$)	All other compensation (\$)		Total (\$)
Michael W. Mahler Chief Executive Officer	2014	\$ 197,301	\$ 11,700	(1)	\$ 209,001
	2013	191,243	10,400	(1)	201,643
Jerome W. Tracey Executive Vice President and Chief Lending Officer	2014	\$ 113,278	\$ 6,000	(2)	\$ 119,278
	2013	110,279	6,000	(2)	116,279

For the year ended December 31, 2014, which consists of \$11,300 and \$400, respectively, of director fees for service on the Board of Directors of First Federal of Northern Michigan and for service on the Board of First Federal Community Foundation (“FFCF”), a foundation established and funded by First Federal of Northern Michigan. For the year ended December 31, 2013, consists of \$10,000 and \$400, respectively, of director fees for service on the Board of Directors of First Federal of Northern Michigan and for service on the Board of FFCF, a foundation established and funded by First Federal of Northern Michigan. Mr. Mahler did not receive perquisites or personal benefits that exceeded \$10,000 in either 2014 or 2013.

(2) For the years ended December 31, 2014 and 2013, consists of \$6,000 automobile allowance. Mr. Tracey did not receive perquisites or personal benefits that exceeded \$10,000.

**Change in Control Agreements.** The Bank has entered into change in control agreements with Michael W. Mahler, Chief Executive Officer (“Executive”), which provide certain benefits in the event of a change in control of the Bank or the Company. The term of the Agreement is 24 months. At least sixty days prior to each anniversary date of the Agreement, the Compensation Committee of the Board of Directors (the “Board”) will conduct a performance evaluation and review of the Executive for the purpose of determining whether to renew the Agreement. In the event the Compensation Committee recommends renewal of the Agreement to the Board and the Board determines to renew the Agreement, the Agreement will renew for an additional 12 months from the anniversary date, such that the remaining term of the Agreement will be 24 months from the anniversary date. If the Agreement is in effect on the effective date of a change in control of the Bank, the Agreement will also renew automatically for an additional 24 month period on the effective date of the change in control.

In the event of a change in control (as defined in the Agreement) followed during the term of the Agreement by the involuntary termination of Executive’s employment other than termination for “cause,” death or disability, Executive will be entitled to a cash severance payment equal to two times his average annual base salary during the prior two years, payable in a lump sum within sixty days of the date of termination. Executive will also receive continued medical coverage (at the expense of the Bank) similar to the coverage provided prior to Executive’s termination until the earlier of (i) two years from Executive’s date of termination or the date Executive becomes a full-time employee of another employer and is entitled to substantially similar health and welfare benefits. In addition, within sixty days following

the date of termination, Executive will receive a lump sum payment in an amount equal to two times the Bank's contribution to the Bank's 401(k) plan for the calendar year ending immediately prior to the year in which Executive's date of termination occurs. Notwithstanding any provision to the contrary in the change in control agreement, payments under the change of control agreement are limited so that they will not constitute an excess parachute payment under Section 280G of the Internal Revenue Code.

**Outstanding Equity Awards at Year End.** The following table sets forth information with respect to outstanding equity awards as of December 31, 2014 for the Named Executive Officers. All awards of common stock and options vest at a rate of 20% per year beginning on the first anniversary of the grants. The other terms of the awards are described in this proxy statement under the heading “Benefit Plans.”

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2014

Name	Option awards		Equity incentive plan awards: number of securities underlying unexercised earned options (#)	Option exercise price (\$)	Option expiration date
	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable			
Michael W. Mahler Chief Executive Officer	2,500	—	—	\$ 9.20	March 14, 2016
	18,400	—		\$ 9.65	May 17, 2016
Jerome W. Tracey Executive Vice President and Chief Lending Officer	2,500	—	—	\$ 9.20	March 14, 2016
	11,790	—		\$ 9.65	May 17, 2016

Benefit Plans

**Defined Benefit Plan.** First Federal of Northern Michigan maintains a noncontributory defined benefit plan (the “Retirement Plan”). All employees age 21 or older, who have worked at First Federal of Northern Michigan for a period of one year and have been credited with 1,000 or more hours of employment with the Bank during the year, are eligible to accrue benefits under the Retirement Plan. The Bank annually contributes an amount to the Retirement Plan necessary to satisfy the actuarially determined minimum funding requirements in accordance with the Employment Retirement Income Security Act of 1974, as amended (“ERISA”).

At the normal retirement age of 65, the Retirement Plan is designed to provide a life annuity. The retirement benefit provided is an amount equal to 2.5% of a participant’s average salary based on the average of the five consecutive years during the participant’s years of employment that provide the highest average annual salary multiplied by the participant’s years of credited service to the normal retirement date. Retirement benefits are also payable upon retirement due to early and late retirement. Benefits are also paid from the Retirement Plan upon a participant’s disability or death. A reduced benefit is payable upon early retirement at or after age 55. Upon termination of employment other than as specified above, a participant who was employed by the Bank for a minimum of five years is eligible to receive his or her accrued benefit reduced for early retirement or a deferred retirement benefit commencing on such participant’s normal retirement date. Benefits are payable in various annuity forms as well as in the form of a single lump sum payment. For the year ended December 31, 2014 the Bank made contributions to the Retirement Plan of \$72,282 with a recorded expense of \$103,294.

In 2004, the Board amended the Retirement Plan and set a 20-year limitation as the maximum number of employment years an employee is entitled to under the Retirement Plan. In April 2005, the Board froze the Retirement Plan as to current participants and excluded from the Retirement Plan new employees hired after July 1, 2004.

The following table indicates the annual retirement benefit that would be payable under the Retirement Plan upon retirement at age 65 in plan year 2014, expressed in the form of a single life annuity for the final average salary and benefit service classification specified below. As of December 31, 2014, Messrs. Thomson, Mahler and Tracey six years, five years and eight years credited service (*i.e.*, benefit service) with the Bank, respectively.

**High 5-Year**

	<b>10</b>	<b>15</b>	<b>20</b>
<b>Average Salary</b>			
\$15,000	\$3,750	\$5,625	\$7,500
\$25,000	\$6,250	\$9,375	\$12,500
\$50,000	\$12,500	\$18,750	\$25,000
\$100,000	\$25,000	\$37,500	\$50,000
\$150,000	\$37,500	\$56,250	\$75,000

**Employee Stock Ownership Plan and Trust.** Until 2014, the Bank sponsored a tax-qualified employee stock ownership plan (“ESOP”) and related trust for eligible employees. Employees with a 12-month period of employment with the Bank during which they worked at least 1,000 hours and who attained age 21 were eligible to participate. The ESOP purchased 138,709 shares of our common stock in our offering that was completed in April 2005. The ESOP obtained a loan from us to purchase these shares. The ESOP loan amortizes over a 15-year period, but the ESOP is entitled to pay off the loan at any time without incurring a penalty. Collateral for the loan is the common stock purchased by the ESOP. The loan was paid in full effective as of December 31, 2009.

As of December 31, 2014 this benefit plan has been terminated and funds have been distributed to participants or rolled over into an individual retirement account (IRA) or the 401(k) plan.

**401(k) Plan.** First Federal of Northern Michigan maintains a 401(k) Plan for our employees. The Plan is tax-qualified and permits participants to elect to defer up to 50% of the participant's eligible annual compensation into the Plan. The Company currently makes matching contributions to the Plan of 100% on the first 2% of employee contributions and 50% on the next 2% of contributions. The vesting schedule for matching contributions is 20% per year of service over a five-year period. In addition, the Board of Directors has in the past made discretionary contributions to eligible participants' accounts; however, no such discretionary contributions were made in 2013 or 2014. Forfeitures of discretionary contributions are used to reduce our contributions in succeeding plan years. Participants are permitted to direct the investment of their 401(k) Plan accounts and may invest in shares of our common stock through an employer stock fund that has been established in the Plan.

**2006 Stock-Based Incentive Plan.** In May 2006, our stockholders approved the 2006 First Federal of Northern Michigan Bancorp, Inc. Stock-Based Incentive Plan (the “Incentive Plan”). The Incentive Plan will remain in effect for a period of ten years following adoption by stockholders. Our employees and outside directors are eligible to receive awards under the Incentive Plan.

The Incentive Plan authorizes the issuance of up to 242,740 shares of our common stock pursuant to grants of incentive and non-statutory stock options, reload options, stock appreciation rights and restricted stock awards, provided that no more than 69,354 shares may be issued as restricted stock awards, and no more than 173,386 shares may be issued pursuant to the exercise of stock options. At December 31, 2014, there were 63,256 shares available for award as stock options and 5,304 shares available for award as restricted stock under the Incentive Plan.

Upon the occurrence of an event constituting a change in control of First Federal of Northern Michigan Bancorp, Inc., as defined in the Incentive Plan, all stock options will become fully vested, and all stock awards then outstanding will vest free of restrictions.

**1996 Stock Option Plan.** Certain of our employees and non-employee directors participate in our 1996 Stock Option Plan (the “1996 Option Plan”). Until its tenth anniversary, the 1996 Option Plan authorized the grant of stock options and limited rights to purchase 69,000 shares (10% of the shares of common stock issued to minority stockholders in the initial public offering of First Federal Savings and Loan Association of Alpena (the “Association”), the predecessor to the Bank, in connection with the mutual holding company reorganization of the Association. In connection with the second-step reorganization of our predecessor, Alpena Bancshares, M.H.C. to become the Company, and our stock offering in 2005, the shares of common stock subject to the 1996 Option Plan became common stock of the Company and were adjusted pursuant to an exchange ratio of 1.8477-for 1. Grants can no longer be made under the 1996 Option Plan; however, grants made under the 1996 Option Plan in 2006 will continue to be exercisable until their tenth anniversary. As of December 31, 2014, there are 25,900 stock options exercisable under the 1996 Option Plan.

### Equity Compensation Plan Disclosure

Set forth below is information as of December 31, 2014 regarding compensation plans under which equity securities of First Federal of Northern Michigan Bancorp, Inc. are authorized for issuance:

Plan	Number of Securities to be Issued upon Exercise of Outstanding Options and Rights	Weighted Average Exercise Price	Number of Securities Remaining Available for Issuance under Plan
Equity compensation plans approved by stockholders	136,030	\$ 9.54	63,256
Equity compensation plans not approved by stockholders	—	—	—
Total	136,030	\$ 9.54	63,256





**Directors' Compensation**

The following table sets forth for the year ended December 31, 2014 certain information as to the total remuneration we paid to our directors other than Mr. Mahler. Compensation paid to Mr. Mahler for his services as Director is included in "Executive Compensation – Summary Compensation Table."

**DIRECTOR COMPENSATION TABLE FOR THE YEAR ENDED DECEMBER 31, 2013**

Name	Fees earned or paid in cash (\$)	Stock awards (\$) <sup>(1)</sup>	Option awards (\$) <sup>(2)</sup>	All other compensation (\$)	Total (\$)
Martin A. Thomson	\$13,900	\$	\$	\$ 350	\$14,250
Thomas R. Townsend	\$12,050	\$	\$	\$	\$12,050
Gary C. VanMassenhove	\$11,600	\$	\$	\$ 3,700	\$15,300
Keith D. Wallace <sup>(3)</sup>	\$4,800	\$	\$	\$	\$4,800
James E. Kraenzlein	\$11,300	\$	\$	\$	\$11,300
Richard L. Crittenden	\$3,500	\$	\$	\$	\$3,500
Timothy E. Fitzpatrick	\$3,500	\$	\$	\$	\$3,500
Christopher B. McCoy	\$3,500	\$	\$	\$	\$3,500
Eric G. Smith	\$3,500	\$	\$	\$ 900	\$4,400

At December 31, 2014, each director owned 4,100 shares of restricted stock, with the exception of Martin A. (1)Thomson who owned 8,850 shares; and James E. Kraenzlein, Richard L. Crittenden, Timothy E. Fitzpatrick, Christopher B. McCoy and Eric G. Smith each owned 0.

At December 31, 2014, directors Townsend, VanMassenhove, and Wallace owned 8,400 options to purchase (2)common stock, Martin A. Thomson owned 24,600 options to purchase common stock; and James E. Kraenzlein, Richard L. Crittenden, Timothy E. Fitzpatrick, Christopher B. McCoy and Eric G. Smith each owned 0.

(3)Mr. Wallace retired from the Board of Directors in May 2014.

**Directors' Fees.** Each of the individuals who currently serves as one of our directors also serves as a director of First Federal of Northern Michigan and earns director and committee fees in that capacity.

In 2014, each director of the Bank received a \$700 monthly meeting fee, payable only if the director attended the meeting. Each director is paid for one excused absence. The Chairman of the Board received \$850 for each regular meeting attended, and each director received \$700 for each special Board meeting attended.

In addition to the foregoing, during 2014, Messrs. Wallace (who retired from the Board in May 2014), Thomson, VanMassenhove, Townsend, Kraenzlein, Smith and Mahler received \$600, \$3,000, \$5,500, \$2,100, \$1,500, \$900 and \$1,500, respectively, for their services as members of the Bank's Executive, Audit and ALCO Committees.

First Federal of Northern Michigan paid a total of \$83,550 in director and committee fees to members of the Board of Directors during the year ended December 31, 2014.

#### Transactions with Certain Related Persons

In the ordinary course of business, First Federal of Northern Michigan makes loans available to its directors, officers and employees. These loans are made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as comparable loans to other borrowers. Loans made to directors or executive officers, including any modification of such loans, must be approved by a majority of disinterested members of the Board of Directors. Management believes that these loans neither involve more than the normal risk of collectibility nor present other unfavorable features.

Section 402 of the Sarbanes-Oxley Act of 2002 generally prohibits an issuer from: (1) extending or maintaining credit; (2) arranging for the extension of credit; or (3) renewing an extension of credit in the form of a personal loan for an officer or director. There are several exceptions to this general prohibition, one of which is applicable to us. Sarbanes-Oxley does not apply to loans made by a depository institution that is insured by the Federal Deposit Insurance Corporation and is subject to the insider lending restrictions of the Federal Reserve Act. All loans to our directors and officers are made in conformity with the Federal Reserve Act and applicable regulations.

In accordance with the listing standards of the Nasdaq Stock Market, any new transactions that would be required to be reported under this section of this proxy statement must be approved by our audit committee or another independent body of the board of directors.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Our common stock is registered with the SEC pursuant to Section 12(b) of the Exchange Act. Our officers and directors and beneficial owners of greater than 10% of our common stock ("10% beneficial owners") are required to file reports on Forms 3, 4, and 5 with the SEC disclosing beneficial ownership and changes in beneficial ownership of the common stock. SEC rules require disclosure in our Proxy Statement or Annual Report on Form 10-K of the failure of an officer, director, or 10% beneficial owner of our common stock to file a Form 3, 4, or 5 on a timely basis. Based on our review of such ownership reports, no officer, director or 10% beneficial owner of our common stock failed to file such ownership reports on a timely basis for the year ended December 31, 2014.

#### **PROPOSAL II—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

Our independent registered public accountants for the year ended December 31, 2014 were Plante & Moran, PLLC. The Audit Committee has engaged Plante & Moran, PLLC to be our independent registered public accountants for 2015, subject to the ratification of the engagement by our stockholders. At the Meeting, stockholders will consider and vote on the ratification of the engagement of Plante & Moran, PLLC for the year ending December 31, 2015. A representative of Plante & Moran, PLLC is expected to attend the Meeting to respond to appropriate questions and to make a statement if he so desires.

Stockholder ratification of the selection of Plante & Moran, PLLC is not required by our bylaws or otherwise. However, the Board of Directors is submitting the selection of the independent registered public accountants to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection of Plante & Moran, PLLC, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent accounting firm at any time during the year if it determines that such change is in our best interests of our stockholders.

#### Fees Paid to Plante & Moran, PLLC

Set forth below is certain information concerning aggregate fees billed for professional services rendered by Plante & Moran, PLLC during 2014 and 2013:

**Audit Fees.** The aggregate fees billed to us by Plante & Moran, PLLC for professional services rendered by Plante & Moran, PLLC for the audit of our annual financial statements, review of the financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by Plante & Moran, PLLC in connection with statutory and regulatory filings and engagements were \$92,000 and \$89,000 during the years ended December 31, 2014 and 2013, respectively.

**Audit-Related Fees.** The aggregate fees billed to us by Plante & Moran, PLLC for assurance and related services rendered by Plante & Moran, PLLC that are reasonably related to the performance of the audit of and review of the financial statements and that are not already reported in "Audit Fees," above, were \$20,700 and \$16,000 during the years ended December 31, 2014 and 2013, respectively.

**Benefit Plan Audits.** The aggregate fees billed to us by Plante & Moran, PLLC for audit services related to our employee benefit plans and that are not already reported in "Audit Fees," above, were \$28,850 and \$24,800 during the years ended December 31, 2014 and 2013, respectively.

**Tax Fees.** The aggregate fees billed to us by Plante & Moran, PLLC for professional services rendered by Plante & Moran, PLLC for tax compliance, tax advice and tax planning were \$9,000 and \$9,000 during the years ended December 31, 2014 and 2013, respectively.

**All Other Fees.** The aggregate fees billed to us by Plante & Moran, PLLC that are not described above were \$82,150 and \$23,500 during the years ended December 31, 2014 and 2013, respectively. The 2014 were related to work performed in connection with the merger with Bank of Alpena which was consummated in August 2014, and the 2013 fees were related primarily to consultation related to the proposed merger with Bank of Alpena.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining Plante & Moran, PLLC's independence. The Audit Committee concluded that performing such services does not affect Plante & Moran, PLLC's independence in performing its function as our auditor.

#### Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditor

The Audit Committee's policy is to pre-approve all audit and non-audit services in excess of \$5,000 provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegated pre-approval authority to its Chairman when expedition of services is necessary. The independent auditors and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the

independent auditors in accordance with this pre-approval, and the fees for the services performed to date. For 2014, all services were pre-approved by the Audit Committee.

Required Vote and Recommendation of the Board of Directors.

In order to ratify the selection of Plante & Moran, PLLC as independent auditors for 2015, the proposal must receive the affirmative vote of a majority of the votes cast at the Annual Meeting; either in person or by proxy, without regard to broker non-votes or proxies marked abstain.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR”  
THE RATIFICATION OF PLANTE & MORAN, PLLC AS INDEPENDENT AUDITORS

### **PROPOSAL III – Advisory Vote on Executive Compensation**

The compensation of our Chief Executive Officer and our other most highly compensated executive officers (“named executive officers”) is described in “PROPOSAL 1 – Election of Directors – Executive Compensation.” Stockholders are urged to read the Executive Compensation section of this Proxy Statement, which discusses our compensation policies and procedures with respect to our named executive officers.

In accordance with Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the recently adopted changes to Section 14A of the Securities Exchange Act of 1934, we are providing the Company’s shareholders the opportunity to vote on a non-binding, advisory resolution to approve the compensation of our named executive officers, which is described in the section titled “PROPOSAL 1 – Election of Directors – Executive Compensation” in this Proxy Statement. Accordingly, the following resolution will be submitted for a shareholder vote at the 2015 Annual Meeting:

“RESOLVED, that the shareholders of First Federal of Northern Michigan Bancorp, Inc. (the “Company”) approve, on an advisory basis, the overall compensation of the Company’s named executive officers, as described in the “PROPOSAL 1 – Election of Directors – Executive Compensation” section set forth in the Proxy Statement for this Annual Meeting.”

This advisory vote, commonly referred to as a “say-on-pay” advisory vote, is non-binding on the Company and the Board. However, the Board values constructive dialogue on executive compensation and other important governance topics with the Company’s shareholders and encourages all shareholders to vote their shares on this matter.

### **Vote Required**

Approval of this resolution requires the affirmative vote of a majority of the votes cast at the Annual Meeting. While this vote is required by law, it will not be binding on the Company or on the Board, nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, the Company or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.

### **Board Recommendation**

**The Board of Directors unanimously recommends that you vote “for” the resolution set forth in Proposal III. Unless otherwise instructed, validly executed proxies will be voted “FOR” this resolution.**

### **STOCKHOLDER PROPOSALS**

In order to be eligible for inclusion in our proxy materials for next year’s Annual Meeting of Stockholders, any stockholder proposal to take action at such meeting must be received at our executive office, 100 South Second Avenue, Alpena, Michigan 49707, no later than December 14, 2015. Nothing in this paragraph shall be deemed to

require First Federal of Northern Michigan Bancorp, Inc. to include in its proxy statement relating to an annual meeting any stockholder proposal that does not meet all of the requirements for inclusion established by the Securities and Exchange Commission.



## **OTHER MATTERS AND ADVANCE NOTICE PROCEDURES**

The Board of Directors is not aware of any business to come before the Annual Meeting other than the matters described above in this proxy statement. However, if any matters should properly come before the Annual Meeting, it is intended that holders of the proxies will act as directed by a majority of the Board of Directors, except for matters related to the conduct of the Annual Meeting, as to which they shall act in accordance with their best judgment. The Board of Directors intends to exercise its discretionary authority to the fullest extent permitted under the Exchange Act.

Our bylaws provide an advance notice procedure for certain business, or nominations to the Board of Directors, to be brought before an annual meeting of stockholders. In order for a stockholder to properly bring business before an annual meeting, or to propose a nominee to the Board of Directors, the stockholder must give written notice to our Secretary not more than one hundred and twenty (120) days and not less than ninety (90) days prior to the date of our proxy materials for the preceding year's annual meeting; provided, however, that if the date of the annual meeting is advanced more than twenty (20) days prior to or delayed by more than sixty (60) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be received not earlier than the close of business on the 120<sup>th</sup> day prior to the date of such annual meeting and not later than the close of business on the later of (A) the 90<sup>th</sup> day prior to the date of such annual meeting or (B) the tenth day following the first to occur of (i) the day on which notice of the date of the annual meeting was mailed or otherwise transmitted or (ii) the day on which we first made public announcement of the date of the annual meeting. The notice must include the stockholder's name, record address, and number of shares owned; describe briefly the proposed business, the reasons for bringing the business before the annual meeting, and any material interest of the stockholder in the proposed business. In the case of nominations to the Board of Directors, certain information regarding the nominee must be provided. Nothing in this paragraph shall be deemed to require us to include in our proxy statement and proxy relating to an annual meeting any stockholder proposal that does not meet all of the requirements for inclusion established by the Securities and Exchange Commission in effect at the time such proposal is received.

The date on which the next Annual Meeting of Stockholders of First Federal of Northern Michigan Bancorp, Inc. is expected to be held is May 18, 2016. Accordingly, advance written notice of business or nominations to the Board of Directors to be brought before next year's Annual Meeting of Stockholders must be given to First Federal of Northern Michigan Bancorp, Inc. no later than January 18, 2016. If notice is received after January 18, 2016, it will be considered untimely, and First Federal of Northern Michigan Bancorp, Inc. will not be required to present the matter at the meeting.

## **MISCELLANEOUS**

We will bear the cost of solicitation of proxies. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of our common stock. In addition to solicitations by mail, directors, officers, and our regular employees may solicit proxies personally or by telegraph or telephone without additional compensation.

A COPY OF OUR REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2014 WILL BE FURNISHED WITHOUT CHARGE TO STOCKHOLDERS AS OF THE VOTING RECORD DATE UPON WRITTEN REQUEST TO FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC., 100 SOUTH SECOND AVENUE, ALPENA, MICHIGAN 49707, ATTENTION: CORPORATE SECRETARY.

BY ORDER OF THE  
BOARD OF  
DIRECTORS

/s/ Eileen M. Budnick  
Eileen M. Budnick  
Corporate Secretary

Alpena, Michigan

April 13, 2015

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON WEDNESDAY, MAY 13, 2015: THIS PROXY STATEMENT, INCLUDING THE NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS, AND FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.'S 2014 ANNUAL REPORT TO STOCKHOLDERS ON FORM 10-K ARE EACH AVAILABLE ON THE INTERNET AT [www.FIRST-FEDERAL.COM](http://www.FIRST-FEDERAL.COM).**

REVOCABLE PROXY

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.  
ANNUAL MEETING OF STOCKHOLDERS

May 13, 2015

The undersigned hereby appoints the full Board of Directors, with full powers of substitution to act as attorneys and proxies for the undersigned to vote all shares of common stock of First Federal of Northern Michigan Bancorp, Inc. which the undersigned is entitled to vote at the Annual Meeting of Stockholders (the "Meeting") to be held at Art in the Loft, 109 North Second Ave, Suite 300, Alpena, Michigan, at 1:00 p.m. Michigan time on Wednesday, May 13, 2015. The official proxy committee is authorized to cast all votes to which the undersigned is entitled as follows:

FOR WITHHELD **FOR ALL**  
**EXCEPT**

The election as Directors of the nominees listed below each to serve for a three-year term.

Gary C. VanMassenhove

Thomas R. Townsend

Richard L. Crittenden

1. o o o

INSTRUCTION: To withhold your vote for one or more nominees, mark "For all Except" and write the name(s) of the nominee(s) on the line(s) below.

\_\_\_\_\_

\_\_\_\_\_

2. The ratification of the appointment of Plante & Moran, PLLC as the Company's independent registered public accounting firm for the year ending December 31, FOR AGAINST **ABSTAIN**  
o o o

2015.

	FOR	<u>AGAINST</u>	<u>ABSTAIN</u>
3. To consider and act upon a non-binding advisory resolution regarding the compensation of the Company's named executive officers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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**The Board of Directors recommends a vote “FOR” each of Proposals 1, 2 and 3.**

**THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR EACH OF PROPOSALS 1, 2 AND 3. IF ANY OTHER BUSINESS IS PRESENTED AT SUCH MEETING, THIS PROXY WILL BE VOTED BY THE ABOVE-NAMED PROXIES AT THE DIRECTION OF A MAJORITY OF THE BOARD OF DIRECTORS. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE MEETING.**

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**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

Should the undersigned be present and elect to vote at the Meeting or at any adjournment thereof and after notification to the Secretary of First Federal of Northern Michigan Bancorp, Inc. at the Meeting of the stockholder's decision to terminate this proxy, then the power of said attorneys and proxies shall be deemed terminated and of no further force and effect. This proxy may also be revoked by sending written notice to the Secretary of First Federal of Northern Michigan Bancorp, Inc. at the address set forth on the Notice of Annual Meeting of Stockholders, or by the filing of a later proxy statement prior to a vote being taken on a particular proposal at the Meeting.

The undersigned acknowledges receipt from First Federal of Northern Michigan Bancorp, Inc. prior to the execution of this proxy of a Notice of the Meeting and a proxy statement dated April 13, 2015.

Dated: \_\_\_\_, 2015  Check Box if You Plan to Attend Meeting

PRINT NAME OF STOCKHOLDER PRINT NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER SIGNATURE OF STOCKHOLDER

Please sign exactly as your name appears on this card. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If shares are held jointly, each holder should sign.

Please complete and date this proxy and return it promptly

**in the enclosed postage-prepaid envelope.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 13, 2015: FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.'S PROXY STATEMENT, INCLUDING THE NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS, AND FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.'S 2014 ANNUAL REPORT TO STOCKHOLDERS ON FORM 10-K ARE EACH AVAILABLE ON THE INTERNET AT [www.FIRST-FEDERAL.COM](http://www.FIRST-FEDERAL.COM)**

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