

UNION BANKSHARES INC
Form 8-K
October 03, 2012

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 1, 2012

(Exact name of registrant as specified in its charter)

UNION BANKSHARES, INC.

(State or other jurisdiction
of incorporation)

Vermont

(Commission
File Number)

001-15985

(IRS Employer
Identification Number)

03-0283552

(Address of principal executive offices)

20 Lower Main St., P.O. Box 667

Morrisville, VT

(Zip Code)

05661-0667

Registrant's telephone number, including area code: (802) 888-6600

(Former name or former address, if changed since last report)

Not applicable

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting materials pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01: Other Events.

On October 1, 2012, the Company's receipt of the prestigious Sm-All Star Award for 2012 from Sandler O'Neill was announced in a press release, filed as Exhibit 99.1 to this report.

Item 9.01: Financial Statements and Exhibits.

(d) Exhibits

The following exhibit referred to in Item 8.01 of the report is filed; herewith:

Exhibit 99.1 Union Bankshares, Inc. press release announcing the receipt of the prestigious Sm-All Star Award for 2012 from Sandler O'Neill.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Union Bankshares, Inc.

October 3, 2012

/s/ David S. Silverman
David S. Silverman
President/Chief Executive Officer

October 3, 2012

/s/ Marsha A. Mongeon
Marsha A. Mongeon
Treasurer/Chief Financial Officer

EXHIBIT INDEX

Exhibit 99.1 Union Bankshares, Inc. press release announcing the receipt of the prestigious Sm-All Star Award for 2012 from Sandler O'Neill.

r abstain from voting, if you so choose. The term proxy is also used to refer to the person who is authorized by you to vote for you.

2. Q: What are a proxy statement and a proxy card?

A: A proxy statement is the document the United States Securities and Exchange Commission requires to explain the matters on which you are asked to vote. A proxy card is the form by which you may authorize someone else, and in this case Mr. Segal, Mr. Cubbin or Mr. Costello, to cast your vote for you. This proxy statement and proxy card with respect to the Company's 2006 Annual Meeting were mailed on or about April 14, 2006 to all stockholders entitled to vote at the Annual Meeting.

3. Q: Who is entitled to vote?

A: Only holders of shares of the Company's common stock at the close of business on March 16, 2006 (the Record Date) are entitled to vote at the Annual Meeting. Each stockholder of record has one vote for each share of common stock for each matter presented for a vote.

4. Q: What will I vote on at the Annual Meeting?

A: At the Annual Meeting, stockholders will vote to:

- (i) Elect three (3) directors for a three-year term expiring in 2009 or until the election and qualification of their successors;
- (ii) Ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm; and
- (iii) Transact any other business that is properly submitted before the Annual Meeting or any adjournments of the Annual Meeting.

5. Q: How does the Board of Directors recommend I vote on the proposals?

A: The Board of Directors recommends a vote FOR each proposal.

6. Q: How can I vote?

A: You can vote in person or by proxy. To vote by proxy, complete, sign, date and return the enclosed proxy card in the enclosed envelope. If you returned your signed proxy card to the Company before the Annual Meeting, the persons named as proxies on the card will vote your shares as you direct. Shares represented by proxies, which are marked WITHHELD to vote for all three nominees for director, or for any individual nominee(s) for election as director(s) and which are not otherwise marked FOR the other nominees, will not be counted in determining whether a plurality vote has been received for the election of directors. Similarly, shares represented by proxies which are marked ABSTAIN on the proposal to ratify the appointment of Ernst & Young LLP as independent registered public accounting firm for the Company in 2006, will not be counted in determining whether the requisite vote has been received for such proposal. IF YOU WISH TO VOTE IN THE MANNER THE BOARD OF DIRECTORS RECOMMENDS, IT IS NOT NECESSARY TO

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SPECIFY YOUR CHOICE ON THE PROXY CARD. SIMPLY SIGN, DATE AND RETURN THE PROXY CARD IN THE ENCLOSED ENVELOPE. You may revoke a proxy at any time before the proxy is voted by:

- (i) Providing written notice of revocation to the Secretary of the Company at the address shown on the Notice of Annual Meeting of Stockholders on the first page of this booklet;
- (ii) Submitting another proxy that is properly signed and dated later; or
- (iii) Voting in person at the meeting (but only if the shares are registered in the Company's records in your name and not in the name of a broker, dealer, bank or other third party).

7. Q: Is my vote confidential?

A: Yes, your vote is confidential. Only the inspectors of election and certain employees associated with processing proxy cards and counting the votes have access to your proxy card. All comments received will be forwarded to management on an anonymous basis unless, of course, you ask that your name be disclosed.

8. Q: What is a quorum?

A: There were 28,773,694 shares of the Company's common stock outstanding on the Record Date. A majority of the outstanding shares, or 14,386,848 shares, present or represented by proxy, constitutes a quorum. A quorum must exist to conduct business at the Annual Meeting. Abstentions and broker non-votes are counted as votes present. A broker non-vote is a proxy a broker submits that does not indicate a vote for the proposal, because the broker does not have discretionary voting authority and the broker did not receive instructions as to how to vote on the proposal.

9. Q: How does voting work?

A: If a quorum exists at the Annual Meeting, a plurality vote, being the greatest number, of the shares voted, although not a majority, is required to elect the three nominees for director. The three nominees receiving the highest number of votes will be elected. If a quorum is present, the affirmative vote by the holders of a majority of the shares present, or represented by proxy, is required to ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Company in 2006. Broker non-votes are excluded for this purpose. Therefore, a broker non-vote will have no effect on the proposal to elect the three nominees for director and ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm for the Company in 2006.

The Company will vote properly executed proxies it receives prior to the Annual Meeting in the way you direct. If you do not specify instructions, the shares represented by proxies will be voted FOR the nominees for director and FOR the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2006.

10. Q: Who pays for the costs of the Annual Meeting?

A: The Company pays the cost of preparing and printing the proxy statement, proxy card and soliciting proxies. The Company will solicit proxies primarily by mail, but also may solicit proxies personally and by telephone, facsimile or other means. Officers and regular employees of the Company and its subsidiaries also may solicit proxies, but will receive no additional compensation for doing so, nor will their efforts result in more than a minimal cost to the Company. The Company also will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their out-of-pocket expenses for forwarding solicitation material to beneficial owners of the Company's common stock.

11. Q: When are stockholder proposals for the 2007 Annual Meeting due?

A: All stockholder proposals to be considered for inclusion in next year's proxy statement under Securities and Exchange Commission Rule 14a-8 must be submitted in writing to the Secretary of the Company at the address shown on the Notice of Annual Meeting of Stockholders on the first page of this booklet by December 6, 2006.

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For any proposal that is not submitted for inclusion in next year's proxy statement but instead is sought to be presented directly at next year's annual meeting, Securities and Exchange Commission rules permit management to vote proxies in its discretion if (a) the Company receives notice of the proposal before the close of business on February 19, 2007 and advises stockholders in next year's proxy statement about the nature of the matter and how management intends to vote on such matter, or (b) does not receive notice of the proposal prior to the close of business on February 19, 2007.

The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

**THE FIRST PROPOSAL ON WHICH YOU ARE VOTING
THE ELECTION OF THREE DIRECTORS**

The Company's Board of Directors is divided into three (3) classes with each class of directors elected to a three-year term of office. At each annual meeting of stockholders, the stockholders elect one class of directors for a three-year term to succeed the class of directors whose term of office expires at that meeting.

This year you are voting on three (3) candidates for Director. The Company's Board of Directors, acting upon the recommendation of the Governance and Nominating Committee, has nominated: Robert S. Cubbin, Hugh W. Greenberg and Florine Mark as Directors with terms expiring in 2009. Each nominee currently serves as a Director, has consented to their nomination and has agreed to serve as a Director, if elected.

If any of the nominees are unable to stand for election, the Company may vote the shares to elect a substitute nominee, who is nominated by the Board of Directors, or the number of Directors to be elected at the Annual Meeting may be reduced.

The Company's Board of Directors recommends a vote FOR each of the nominees.

**INFORMATION ABOUT THE NOMINEES, THE INCUMBENT DIRECTORS AND
OTHER EXECUTIVE OFFICERS**

Independence Determination

Our Board of Directors has determined that Messrs. Dresner, Greenberg, Naftaly, Page, Sturgis, Thal, Tyner, and Ms. Mark are independent as such term is defined in the New York Stock Exchange's independence standards, as modified or supplemented, and these Directors have no other relationship that would impair such independence.

The following is information about the nominees for election as a Director, each of the Directors whose term of office will continue after the meeting, and other persons who are executive officers of the Company. The information is as of the date of record, March 16, 2006.

Nominee Directors Terms Expiring in 2009

Robert S. Cubbin, age 48 and a Director since 1995, was appointed as President and Chief Executive Officer of the Company in May 2002. Prior to being named President and Chief Executive Officer, Mr. Cubbin served as President and Chief Operating Officer since February 1999. In 1999, Mr. Cubbin was also appointed Chairman of the Board of Directors of the following subsidiaries of the Company: Star Insurance Company (*Star*), a property and casualty insurance company; Savers Property and Casualty Insurance Company (*Savers*), a property and casualty insurance company; Williamsburg National Insurance Company (*Williamsburg*), a property and casualty insurance company,

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Ameritrust Insurance Corporation (Ameritrust), a property and casualty insurance company and Meadowbrook, Inc.(Meadowbrook) an insurance agency and risk management subsidiary of the Company. Mr. Cubbin is the President of Meadowbrook. From 1996 until his appointment as President and Chief Operating Officer in February 1999, Mr. Cubbin was an Executive Vice President of the Company. Mr. Cubbin joined the Company in 1987, as Vice President and General Counsel. Prior to joining the Company, Mr. Cubbin, an attorney, was with Plunkett & Cooney, P.C., a Michigan law firm specializing in insurance law. Mr. Cubbin is a member of the Finance Committee and the Investment Committee of the Board of Directors of the Company.

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Hugh W. Greenberg, age 75 and a Director since 1985, is President of DataNet Quality Systems, formerly Detroit Gauge & Tool Company. DataNet Quality Systems develops manufacturing quality control software and systems. Mr. Greenberg is the Chairman of the Governance and Nominating Committee and a member of the Audit Committee, the Finance Committee and the Compensation Committee of the Board of Directors of the Company.

Florine Mark, age 73, and a Director since 1996, is President and Chief Executive Officer of The WW Group, Inc., the largest franchisee of Weight Watchers International. Ms. Mark is a member of the Governance and Nominating Committee and the Investment Committee of the Board of Directors of the Company.

Incumbent Directors Terms Expiring in 2008

Robert H. Naftaly, age 68 and a Director since 2002, is retired as President and Chief Executive Officer of PPOM, an independent operating subsidiary of Blue Cross Blue Shield of Michigan (BCBSM) and as Executive Vice President and Chief Operating Officer of BCBSM. Previously, Mr. Naftaly served as Vice President and General Auditor of Detroit Edison Company and was the Director of the Department of Management and Budget for the State of Michigan. He was a managing partner and founder of Geller, Naftaly, Herbach & Shapiro, a certified public accounting firm. He is the Chairman of the Compensation Committee and a member of the Audit Committee, the Finance Committee and the Governance and Nominating Committee of the Board of Directors of the Company.

Robert W. Sturgis, age 64 and a Director since 2000, is a retired Director and Principal of Tillinghast-Towers Perrin, a global management and actuarial consulting firm. He is a member of the Audit Committee and the Finance Committee of the Board of Directors of the Company.

Bruce E. Thal, age 74 and a Director since 1995, is a retired partner of Deloitte & Touche L.L.P., a public accounting firm. Mr. Thal is the Chairman of the Audit Committee and a member of the Investment Committee and the Finance Committee of the Board of Directors of the Company.

Incumbent Directors Terms Expiring in 2007

Merton J. Segal, age 77, is the Founder of the Company. Mr. Segal has been a Director since 1985 and is Chairman of the Board of Directors of the Company. Further, Mr. Segal is a Director of Star, Savers, Williamsburg, Ameritrust and Meadowbrook, which are subsidiaries of the Company. Mr. Segal holds the designation of Chartered Property & Casualty Underwriter (CPCU) and is a Licensed Insurance Counselor (LIC). Mr. Segal is a member of the Finance Committee and the Investment Committee of the Board of Directors of the Company.

Joseph S. Dresner, age 80 and a Director since 1985, is Chairman of the Highland Companies, a Detroit-area-based developer and manager of commercial, industrial and residential properties. Mr. Dresner is the Chairman of the Investment Committee and a member of the Finance Committee of the Board of Directors of the Company.

David K. Page, age 72 and a Director since 2000, is a Partner in the Detroit, Michigan law firm of Honigman Miller Schwartz & Cohn. Mr. Page is the Chairman of the Finance Committee and a member of the Compensation Committee, the Investment Committee and the Governance and Nominating Committee of the Board of Directors of the Company.

Herbert Tyner, age 75 and a Director since 1985, is Chief Executive Officer of Hartman & Tyner, Inc., a Detroit-based real estate developer with land, apartment developments and other real estate holdings in Michigan and Florida. Mr. Tyner is a member of the Compensation Committee of the Board of Directors of the Company.

Effective April 29, 2005, Messrs. Swider and Milo resigned as Directors of the Company.

Other Executive Officers

The following is information about the Company's other Executive Officers.

Gregory L. Wilde, age 58, is Executive Vice President of the Company and is President and a Director of Star, Savers, Ameritrust and Williamsburg. Also, he serves as a Director of Meadowbrook. Mr. Wilde joined the Company in 1999. He previously served as Regional Vice President for Crum & Forester, a national provider of insurance services, in their Detroit, Michigan office. From 1971 to 1996, he served in a variety of positions

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including Regional Vice President, with Aetna Casualty & Surety Company at their offices in Milwaukee, WI and Philadelphia, PA.

Karen M. Spaun, age 41, was appointed Chief Financial Officer in 2003. She has served as Senior Vice President and Chief Accounting Officer of the Company since 2002. That same year, she was elected Director, Vice President and Treasurer of Star, Savers, Ameritrust and Meadowbrook. In 2003, she was elected Director, Vice President and Treasurer of Williamsburg. Ms. Spaun joined the Company in 1998 as Director of Investor Relations. In 1997, Ms. Spaun served as Controller of CoverX, an excess and surplus lines broker. From 1993 to 1997 she served as Director of Financial Accounting at Citizens Insurance Company, a member of AllAmerica Financial Corporation, in Howell, Michigan. Ms. Spaun previously held financial and accounting positions in public companies and the Coopers & Lybrand public accounting firm.

Michael G. Costello, age 45, was appointed Senior Vice President, General Counsel and Secretary of the Company, Star, Savers, Ameritrust, Williamsburg and Meadowbrook in 1999. Previously, Mr. Costello served as Vice President and General Counsel of the Company, Star, Savers and Meadowbrook. Mr. Costello joined the Company in 1993 as Vice President and Assistant General Counsel. Mr. Costello was formerly a Shareholder with Plunkett & Cooney, P.C., a Michigan law firm specializing in insurance law.

Stephen A. Belden, age 50, is Senior Vice President and Chief Actuary for Meadowbrook, Star, Savers, Williamsburg and Ameritrust. Mr. Belden joined the Company in 2003. He previously served as Chief Actuary for Zurich North American Construction from 1995 to 2003. From 1990 to 1995, Mr. Belden worked with Orion Capital Companies as AVP and Actuary. Previous to this, Mr. Belden's experience includes serving as a Consultant with Tillinghast and with Touche, Ross and Company as an Actuarial Officer for St. Paul Companies. He started his career in 1977 with Aetna Life and Casualty at their offices in Hartford, CT, where he served in various positions in the Actuarial Department. Mr. Belden's credentials include both FCAS and CPCU designations.

Robert Christopher Spring, age 52, is Senior Vice President of Business Operations of Meadowbrook and President of the Company's TPA Associates Division, which was acquired by the Company in 1999. Mr. Spring co-founded TPA Associates in 1993. He served as Executive Vice President of TPA from 1993 through 2000. He previously served as Assistant Vice President with American Mutual Insurance Companies from 1987 through 1989. From 1989 through 1993, Mr. Spring worked with Towers Perrin as a risk management consultant. He began his career with Signature Group, an Illinois insurance company, in 1977.

Archie S. McIntyre, age 41, is Senior Vice President of Business Development for Meadowbrook and also serves as a Director for Star, Savers, Williamsburg and Ameritrust. Mr. McIntyre joined the Company in 1986. From 1986 to 1988, Mr. McIntyre held various positions in the agency, marketing and finance divisions of the Company. From 1988 to 1996, Mr. McIntyre was a manager in the Company's public entity division. In 1996, Mr. McIntyre was named Vice President of the Company's Alabama Branch. In 1999, Mr. McIntyre was appointed to manage the Company's Business Development Department, which includes marketing, due diligence, acquisitions and corporate strategy. Mr. McIntyre graduated from the University of Michigan-Dearborn and holds an ARM (Associate in Risk Management) designation.

Kenn R. Allen, age 56, is Senior Vice President of the Company and President of the Meadowbrook Insurance Agency and also serves as a Director for Star, Savers, Williamsburg and Ameritrust. Mr. Allen has served as President of the Meadowbrook Insurance Agency since 1986. Prior to joining the Company, Mr. Allen held many positions at Republic Hogg Robinson, where he was a Regional Senior Vice President for its self-funded groups, self-insured s/associations and property/casualty business. Mr. Allen is a graduate of the University of Cincinnati and Henry Ford College. His credentials include CIC (Certified Insurance Counselor) and CHCM (Certified Hazard Control Manager).

COMMITTEES AND MEETINGS OF DIRECTORS

The Board of Directors has established an Audit Committee, Compensation Committee, Finance Committee, Investment Committee and Governance and Nominating Committee.

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Each of the Committees of the Board of Directors has adopted a written Charter. A current copy of each Committee's Charter is available on the Company's website which is: www.meadowbrook.com.

Audit Committee. The Audit Committee is responsible for reviewing the services of the Company's independent registered public accounting firm and actuaries, consults with the accountants and actuaries, reviews the financial statements of the Company and internal controls of the Company and monitors the Internal Audit Department of the Company. The Audit Committee members are Bruce E. Thal, Chairman, Hugh W. Greenberg, Robert H. Naftaly and Robert W. Sturgis. The members of the Audit Committee satisfy the independence and experience requirements of the NYSE. The Audit Committee met seven (7) times in 2005. Please refer to the Audit Committee Report below for details of the Committee's proceedings during 2005.

Compensation Committee. The Compensation Committee establishes the performance goals and objectives and evaluates the performance of the Chief Executive Officer and the Chairman of the Board. The Compensation Committee recommends to the Board of Directors the base salary levels, bonuses and equity compensation for the Chief Executive Officer and Chairman of the Board. In addition, the Compensation Committee approves the guidelines to determine salary levels, bonuses and equity compensation for other executive officers and managers of the Company. The Compensation Committee also reviews and makes recommendations with respect to the Company's compensation plans and is responsible for administering the Company's 1995 and 2002 Amended and Restated Stock Option Plans, as well as the Long-Term Incentive Plan. The Compensation Committee members are Robert H. Naftaly, Chairman, Hugh W. Greenberg, David K. Page, and Herbert Tyner. The Compensation Committee met four (4) times in 2005. Please refer to the Compensation Committee Report below for details of the Committee's proceedings during 2005.

Finance Committee. The Finance Committee reviews the Company's banking relationships, business operations, potential acquisitions, capital strategy and litigation relating to the Company. Members of the Finance Committee are David K. Page, Chairman, Joseph S. Dresner, Hugh W. Greenberg, Robert H. Naftaly, Bruce E. Thal, Robert W. Sturgis, Merton J. Segal and Robert S. Cubbin. The Finance Committee met eight (8) times in 2005.

Investment Committee. The Investment Committee reviews and approves the Company's Investment Policy Guidelines, investment transactions of the Company and its insurance company subsidiaries, investment performance and monitors adherence to the Company's Investment Policy Guidelines. The Investment Committee members are Joseph S. Dresner, Chairman, Robert S. Cubbin, Florine Mark, David K. Page, Merton J. Segal and Bruce E. Thal. The Investment Committee met four (4) times in 2005.

Governance and Nominating Committee. The Governance and Nominating Committee reviews the criteria for the selection of senior executives and Directors of the Company. The Governance and Nominating Committee reviews the performance of the Directors and recommends Directors for election to the Board of Directors. The Governance and Nominating Committee monitors compliance with the Company's Code of Conduct, Business Conduct Policy and other corporate governance policies. The Governance and Nominating Committee also reviews and approves any related-party transactions involving the Company. The Governance and Nominating Committee members are Hugh W. Greenberg, Chairman, Florine Mark, David K. Page, and Robert H. Naftaly. The Governance and Nominating Committee met three (3) times in 2005.

ATTENDANCE AT MEETINGS

The Board of Directors met four (4) times in 2005. Committees of the Board held twenty-six (26) additional meetings in 2005. During 2005, each of the Directors, with the exception of Mr. Dresner, attended (in the aggregate) at least 75% of the total number of meetings of the Board of Directors and the total number of meetings held by all Committees of the Board upon which he/she served.

Seven (7) members of the Board of Directors attended the 2005 Annual Meeting.

It is the Policy of the Board of Directors of the Company to encourage attendance by its members at all meetings of the Board and Committees of the Board.

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EXECUTIVE SESSIONS

Executive sessions of non-management directors were held at each meeting of the Board of Directors. The Audit Committee held executive sessions at each meeting; the Compensation Committee held executive sessions at three (3) of its four (4) meetings, the Governance and Nominating Committee held executive sessions at two (2) of its three (3) meetings; the Finance Committee held executive sessions at five (5) of its eight (8) meetings; the Investment Committee held an executive session at three (3) of its four (4) meetings.

**COMMUNICATIONS TO THE BOARD OF DIRECTORS
AND TO INDIVIDUAL MEMBERS OF THE BOARD**

Any security holder may communicate directly with the Board of Directors, or with any one or more individual members of the Board. A security holder wishing to do so, should address the communication to Board of Directors or to one or more individual members of the Board and submit the communication to the Company at the address of the Company noted on the first page of this Notice of Meeting and Proxy Statement. All such communications received by the Company and addressed to the Board of Directors will be forwarded to the Chairman of the Board of Directors, or to the individual member or members of the Board, if addressed to them.

All of these communications will be reviewed by our Secretary to filter out communications that are not appropriate, specifically, spam or communications offering to buy or sell products or services. The Secretary will forward all remaining communications to the appropriate Directors.

Any interested party may communicate with our non-management Directors by writing to:

Meadowbrook Insurance Group, Inc.
26255 American Drive
Southfield, Michigan 48034
Attention: Non-Management Directors

GOVERNANCE AND NOMINATING COMMITTEE

Our Board of Directors has adopted Corporate Governance Guidelines and a written Charter for the Governance and Nominating Committee, copies of which are available to shareholders on our website, at www.meadowbrook.com. Each member of our Governance and Nominating Committee is independent as defined in the New York Stock Exchange's independence standards, as those standards have been modified or supplemented, and these Directors have no other relationship that would impair their independence.

Our Board of Directors has a Governance and Nominating Committee, which consists of four (4) Directors. Hugh W. Greenberg (Chairman), Florine Mark, David K. Page, and Robert H. Naftaly are the current members of the Governance and Nominating Committee. The Governance and Nominating Committee recommends individuals for election to the Board of Directors. During the fiscal year ended December 31, 2005, the Governance and Nominating Committee held three (3) meetings.

The Governance and Nominating Committee's policy is to consider director candidates recommended by shareholders. Such recommendations must be made pursuant to timely notice in writing to:

Meadowbrook Insurance Group, Inc.
26255 American Drive

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Southfield, Michigan 48034-2438
Attention: Governance and Nominating Committee

The Governance and Nominating Committee has not established specific minimum qualifications and skills for directors to possess. The Governance and Nominating Committee uses a subjective process for identifying and evaluating nominees for director, based upon the information available to members of the Governance and Nominating Committee and the Company's then current needs. The Governance and Nominating Committee does not believe there would be any difference in the manner in which it evaluates nominees based on whether the

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nominee is recommended by a shareholder or director. Historically, nominees have been the existing directors or persons with significant business, insurance accounting, actuarial or legal experience.

CODE OF CONDUCT

The Company has adopted a Code of Conduct that applies to all of our employees, officers and Directors, including our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions. Annually, we review the Code of Conduct for any amendments, which are thereafter reviewed and approved by the Governance and Nominating Committee and the Board of Directors.

Our Code of Conduct contains written standards that are intended to deter wrongdoing and promote:

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

Full, fair, accurate, timely, and understandable disclosures in reports and documents that we file with, or submit to, the Securities and Exchange Commission and in other public communications we make;

Compliance with applicable governmental laws, rules and regulations;

The prompt internal reporting of violations of the Code of Conduct to an appropriate person; and

Accountability for adherence to the Code of Conduct.

In addition, the Company has a Whistleblower Policy, which allows employees to anonymously report ethical or illegal conduct on the part of employees. All reports are investigated by the Compliance Officer and then reported to the Audit Committee of the Board of Directors for further action.

This Code of Conduct is attached to our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 as Exhibit 14. We have also posted it on our website at www.meadowbrook.com. We will provide a copy of the Code of Conduct to any person, without charge and upon request. Requests for a copy of our Code of Conduct, Corporate Governance Guidelines or Committee Charters should be made to the Secretary at 26255 American Drive, Southfield, Michigan 48034. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision of our Code of Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and that relates to any element of the code definition enumerated in Securities and Exchange Commission, Regulation S-K, Item 406(b) by posting such information on our website at www.meadowbrook.com within five (5) business days following the date of the amendment or waiver. To date, no such waivers have been made.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee (the Committee) has adopted a Charter outlining its duties and responsibilities on matters relating to financial reporting, internal audit, accounting practices, internal controls, loss reserving and selection of the Company's independent auditors.

The Committee consists of all independent directors. The members are: Bruce E. Thal, Chairman, Robert H. Naftaly, Robert Sturgis and Hugh Greenberg. The Committee recommended and the Board of Directors appointed Bruce E. Thal as the Committee's financial expert, in accordance with the Sarbanes-Oxley Act of 2002.

In 2005, the Committee met with members of the Company's financial management team at each of its meetings. The Company's independent auditors attended six (6) of eight (8) Committee meetings. The Committee also met with the Company's independent actuarial consultants. During these meetings, the Committee held discussions with the independent auditors and the actuarial consultants relating to financial management, accounting practices, loss reserves, internal audit and other internal control related issues. The Committee met in executive session with the Company's independent auditors and actuarial consultants. Also, the Committee met in executive session with the Company's Chief Financial Officer, Chief Actuary, Director of Internal Audit and General Counsel.

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In 2005, the Committee replaced PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm with Ernst & Young LLP effective August 8, 2005. In addition, the Committee retained Ernst & Young LLP to provide tax compliance services to the Company for 2006. Each of these actions were approved by the Board of Directors of the Company.

During 2005, the Committee reviewed the Company's financial management with its independent auditors. The Committee reviewed the results of the Ernst & Young LLP audit for 2005. The Committee reviewed the audited financial statements, which are included in the Company's Annual Report on Form 10-K. The Committee received a report from the Company's independent actuarial firm relating to the Company's loss reserves. Also, the Committee received reports from Ernst & Young LLP and the Company's Internal Audit Department relating to the Company's compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Committee is responsible for overseeing the Company's project plan and compliance with Section 404.

The Committee also discussed with the independent auditors other matters required to be discussed by the auditors with the Committee under Statement on Auditing Standards No. 61, as amended, (communication with audit committees). The Committee received and discussed with the auditors their annual written report on their independence from the Company and its management, which is made under Independence Standards Board Standard No. 1 (independence discussions with audit committees).

In reliance upon these reviews and discussions, and the report of the independent auditors, the Committee has recommended to the Board of Directors, and the Board of Directors has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

The Audit Committee

Bruce E. Thal, Chairman
Hugh W. Greenberg
Robert H. Naftaly
Robert W. Sturgis

COMPENSATION OF DIRECTORS

During 2005, each outside director received an annual retainer fee of \$20,000 and \$1,000 meeting fee for each Board or Committee meeting attended. Each outside Director, who served as Chairman of a Board Committee, received an additional \$3,000 annual retainer for such services.

In 2006, the Compensation Committee of the Board of Directors reviewed the compensation paid by the Company to Directors. The Compensation Committee reviewed compensation paid to Directors of peer companies and considered the additional work and responsibilities assumed by Directors in recent years. Also, the Compensation Committee wanted to assure the compensation paid by the Company to its Directors was competitive, which would assist the recruitment of new Directors. Effective January 1, 2006, the Compensation Committee recommended to the Board of Directors the annual retainer fee for outside Directors remain the same; the annual retainer for outside Directors who serve as a Chairman of a Board Committee be increased from \$3,000 to \$5,000; and the fee for attending a Board or Committee meeting be increased from \$1,000 to \$1,500. On February 10, 2006, the Board of Directors approved these changes to Board compensation.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth as of the Record Date the beneficial ownership of the Company's common stock by: (i) each person known by the Company to beneficially own five percent or more of such shares, (ii) each nominee and incumbent director, (iii) each person named in the Summary Compensation Table under the **EXECUTIVE COMPENSATION** Section of this proxy statement, and (iv) all nominees and incumbent directors and Executive Officers as a group, together with their respective percentage ownership of the outstanding shares. Unless otherwise indicated, each individual has sole investment and voting power with respect to such shares.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class
<u>Directors and Executive Officers</u>		
Merton J. Segal (Executive Officer and Director)	2,517,992(2,3)	8.7%
Robert S. Cubbin (Executive Officer and Director)	447,715(4)	1.5%
Michael G. Costello (Executive Officer)	17,940(5)	*
Karen M. Spaun (Executive Officer)	34,660(6)	*
Kenn R. Allen (Executive Officer)	34,331(7)	*
Stephen A. Belden (Executive Officer)		*
Archie S. McIntyre (Executive Officer)	31,767(8)	*
Robert C. Spring (Executive Officer)	900(9)	*
Gregory L. Wilde (Executive Officer)	22,629(10)	*
Joseph S. Dresner (Director)	108,188	*
Hugh W. Greenberg (Director)	109,012(11)	*
Florine Mark (Director)	6,000(12)	*
Robert H. Naftaly (Director)	35,000	*
David K. Page (Director)	90,000	*
Robert W. Sturgis (Director)	12,300	*
Bruce E. Thal (Director)	72,000(13)	*
Herbert Tyner (Director)	186,377(14)	*
All Directors and Executive Officers as a group (20 Persons)	3,726,811	12.7%
<u>5% Beneficial Owners</u>		
<u>(excluding Directors and Executive Officers)</u>		
Dimensional Fund Advisors, Inc.	2,513,423(15)	8.7%
Su Nova Partners, LP	1,540,000(16)	5.4%
Wells Fargo & Company	2,025,550(17)	7.0%
All Directors, Executive Officers and 5% Beneficial Owners	9,805,784	33.8%

* Less than 1%.

(1) Includes shares subject to options exercisable within 60 days of the Record Date.

- (2) Address is 26255 American Drive, Southfield, Michigan 48034.
- (3) Includes 21,504 shares held by a family trust established by Mr. Segal. Also, includes 10,140 shares held by Mr. Segal's spouse. Also, includes 70,000 shares, subject to currently exercisable options.
- (4) Includes 308,380 shares, subject to currently exercisable options.
- (5) Includes 17,381 shares, subject to currently exercisable options.
- (6) Includes 31,700 shares, subject to currently exercisable options.
- (7) Includes 34,331 shares, subject to currently exercisable options.
- (8) Includes 27,269 shares, subject to currently exercisable options.
- (9) Includes 900 shares, subject to currently exercisable options.

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- (10) Includes 16,129 shares held under 401(k) plan. Also, includes 6,500 shares, subject to currently exercisable options.
- (11) Includes 109,012 shares held by a Family Trust established by Mr. Greenberg.
- (12) Includes 6,000 shares held in trust by Ms. Mark.
- (13) Includes 6,000 shares held in trust by Mr. Thal's spouse and 34,000 shares held in trust by Mr. Thal. Also includes 2,000 shares held in trust by Mr. Thal's grandnephews. Mr. Thal may be deemed to share beneficial ownership in these shares held by his grandnephews, because he has voting power over these shares.
- (14) Includes 136,377 shares held by Hartman & Tyner, Inc. Mr. Tyner is President and greater than 10% stockholder of Hartman & Tyner, Inc. Mr. Tyner may be deemed to share beneficial ownership of these shares.
- (15) Address is 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401. Based on a Schedule 13G filed with the Securities and Exchange Commission dated February 1, 2006, Dimensional Fund Advisors, Inc. held sole voting power and sole dispositive power of 2,513,423 shares.
- (16) Address is 780 Third Avenue, 5th Floor, New York, NY 10017. Based on Schedule 13G filed with the Securities and Exchange Commission dated February 14, 2006, Su Nova Partners, LP, and its affiliated business (SuNova), held sole voting power and sole dispositive power of 1,540,000 shares.
- (17) Address is 420 Montgomery Street, San Francisco, CA 94104. Based on a Schedule 13G filed with the Securities and Exchange Commission dated February 21, 2006, Wells Fargo & Company, and its affiliated businesses (Wells Fargo), held sole voting power of 1,892,300 shares and sole dispositive power of 2,060,150 shares.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's Directors, executive officers and persons who own more than 10% of a registered class of the Company's equity securities file reports of stock ownership and any subsequent changes in stock ownership with the Securities and Exchange Commission within prescribed time limits. During 2005, all of the required reports were filed on a timely basis, except as noted herein. Mr. Archie McIntyre submitted one (1) late report involving three (3) transactions. Mr. Merton J. Segal submitted one (1) late report involving one (1) transaction. Mr. Robert Naftaly submitted one (1) late report involving one (1) transaction. The Company is unaware of any other failure to file a required report. In making this disclosure, the Company relies on the Directors' and Executive Officers' written representations and a review of copies of the reports filed with the SEC.

**CERTAIN TRANSACTIONS WITH MANAGEMENT AND
RELATED PARTY TRANSACTIONS**

a. Demand Note:

At December 31, 2005, the Company held an \$858,923 Demand Note receivable, including \$198,134 of accrued interest, from Robert S. Cubbin and Kathleen D. Cubbin. In 2005, Mr. Cubbin paid \$42,000 to the Company in interest relating to the Demand Note. This Demand Note arose from a transaction in late 1998 whereby the Company loaned Robert S. Cubbin and Kathleen D. Cubbin funds to exercise 64,718 common stock options to cover the exercise price and associated tax withholdings. The Demand Note bears a rate of interest equal to the rate charged the Company pursuant to its current revolving credit agreement. On December 31, 2005, the rate was 6.36%. The Demand Note is due on demand. The loan is partially collateralized by 64,718 shares of the Company's common stock, pursuant to a Stock Pledge Agreement. The Demand Note between the Company and Mr. and Mrs. Cubbin is a non-recourse loan with the Company's sole remedy in the event of a default being the reclamation of the shares of the Company that were pledged as collateral. (See the **EMPLOYMENT CONTRACTS** Robert S. Cubbin Employment Agreement Section of this proxy statement).

b. Employees:

Sue Cubbin, Vice President of Human Resources, is the sister of Robert S. Cubbin, President and Chief Executive Officer of the Company. In her capacity as Vice President of Human Resources, Ms. Cubbin is responsible for all human resource matters relating to compensation, fringe benefits, payroll, education and training, hiring and performance reviews of the Company's employees. In addition, she is responsible for facilities management of the Company's Southfield, Michigan headquarters.

Laura Segal, a Vice President in the Southfield branch, is the daughter of the Chairman of the Board, Merton J. Segal. Ms. Segal is responsible for management of the Company's largest public entity program, which is located in the State of Michigan.

Carol Ziecik, Vice President of Corporate Communications, is the daughter of the Chairman of the Board, Merton J. Segal. Ms. Ziecik is responsible for the corporate communications of the Company, which include press releases, marketing materials, the Annual Report and other similar matters.

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In 2005, the total compensation for Ms. Cubbin, Ms. Segal and Ms. Ziecik was \$389,495. In 2004, the Compensation Committee granted a three (3) year long-term incentive target for Ms. Cubbin and Ms. Segal of \$39,000 and \$23,398, respectively.

In 2004, the Governance & Nominating Committee retained an outside compensation consultant to independently review the compensation paid Ms. Cubbin, Ms. Segal and Ms. Ziecik in relation to their duties and responsibilities. The consultant concluded the compensation paid these employees was within a competitive range of market medium levels. On February 9, 2006, the Governance & Nominating Committee reviewed the compensation of Ms. Cubbin, Ms. Segal and Ms. Ziecik. The Governance & Nominating Committee determined there had been no material change in either the compensation or duties of these employees and concluded the compensation paid these employees was fair and reasonable in relation to their experience, duties and responsibilities. On February 10, 2006, the Board of Directors approved the continued employment of Ms. Cubbin, Ms. Segal and Ms. Ziecik.

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EXECUTIVE COMPENSATION

The following table sets forth information for the fiscal years ended December 31, 2005, 2004 and 2003 concerning the compensation of the Company's Chief Executive Officer and the Company's four most highly compensated Executive Officers, other than the Chief Executive Officer, whose total annual salary and bonus exceeded \$100,000 and includes all compensation paid to such officers:

Summary Compensation Table for Years Ended December 31, 2005, 2004 and 2003