

# Fremont Michigan InsuraCorp in shareholder dispute ahead of annual meeting

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By Katie Borden

In what has become an ongoing activist saga, Fremont Michigan InsuraCorp Inc. is disputing the shareholder status of an investor who has nominated himself to the company's board.

Harry Long, the sole managing member of Contrarian Industries LLC, has urged the company to write business outside of Michigan and over the Internet, reduce certain reinsurance expenses and bring down its expense ratio. Since acquiring a small stake in the P&C insurer several years ago, Long said he has met with company executives several times in person and over the phone.

Long nominated himself to Fremont's board in a letter dated Jan. 5, claiming that he and his family beneficially own more than 44,000 shares of the company. Paul Yared, an attorney with Grand Rapids, Mich.-based law firm Siebers Mohny representing Fremont, responded to Long on Jan. 20.

"Please be advised that your attempt to nominate yourself as a director is invalid," Yared wrote. "After searching its record shareholder list and a recent NOBO list, FMMH found no record of you owning any shares."

According to Fremont's 2008 Form 10-K filed March 24, the company had 43 shareholders of record as of March 16. "For purposes of this determination, Cede & Co., the nominee for the Depositary Trust Company which holds all but 11,020 of the Company's outstanding shares, is treated as one holder," the company said in the filing. According to SNL data, Fremont had roughly 1.8 million shares outstanding as of March 30.

Nancy Tonachio, an attorney for Long from Meyers Meyers & Tonachio, wrote to Yared on March 6, including in the communication a copy of an Interactive Brokers statement that indicated Long's direct ownership of Fremont stock.

"As it is clear from the documentation enclosed that Mr. Long was and continues to be a shareholder of Fremont and it is equally clear that his request for nomination was timely filed and received by the firm, our expectation is that such request will be honored," Tonachio wrote. In a March 13 letter, Yared informed Tonachio that Fremont found "no shareholder under the name Interactive Brokers, LLC or Harry Long."

Tonachio again wrote to Yared on March 18, indicating that Long was "fully prepared to take further legal action should it become necessary in order to pursue his rights as a shareholder."

Long wrote to Fremont's board the next day. "I believe that the management of Fremont Michigan Insuracorp, through its outside attorney Paul Yared at Siebers Mohny, may be handling my nomination to the Board in contravention of Fremont's Articles of Incorporation," he said in the letter. "If we do not hear back from Fremont and its Directors by March 27, 2009 we will be forced to examine additional steps for protecting the rights of Fremont shareholders."

Long told SNL that neither he nor his attorney have since received a response from the company, its board or its outside counsel. Fremont's annual meeting of shareholders is scheduled for May 14.

"This sort of behavior is entirely unacceptable to shareholders," Long said. "I believe it is potentially illegal, and we will do everything in our power to protect the rights of shareholders."

He said he has written to the SEC and the Michigan attorney general, and expects to follow up with state authorities if necessary. He also suggested the possibility of asking Fremont's governance committee to remove Richard Dunning as CEO.

"If it's not Richard Dunning directing Paul Yared, he's not providing proper supervision to whoever is," Long said.

Another investor with a small position in Fremont told SNL he would like to increase his holdings over time, but expressed some reservations about the company.

"They seem to have a significantly larger board with a lot of friends on it," the investor said. "This seems more like a private company that happens to be public because they converted from mutual [status]."

The company has 64 employees and 11 directors, and markets its policies through about 175 independent agencies, according to the 10-K. One director, Jack Siebers, is a co-founder and managing member of Siebers Mohny. According to a March 31, 2008, proxy filing, director Michael DeKuiper is the father-in-law of Kevin Kaastra, Fremont's vice president of finance. He is also president of The White Agency Inc., an independent Michigan insurance agency that sells Fremont's products.

With respect to the dispute over Long's shareholder status and self-nomination, the other investor said, "Whether or not they want him on the board or don't want him on the board, behaving like this doesn't give people like me a lot of faith in them."

Calls and e-mails to executives and directors of Fremont, as well as to Yared, were not returned. *i*