

ISABELLA BANK CORP
Form DEF 14A
April 09, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

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ISABELLA BANK CORPORATION

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**ISABELLA BANK CORPORATION
401 N. Main St.
Mount Pleasant, Michigan 48858**

**NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 4, 2010**

Notice is hereby given that the Annual Meeting of Shareholders of Isabella Bank Corporation will be held on Tuesday, May 4, 2010 at 5:00 p.m. Eastern Standard Time, at the Comfort Inn, 2424 S. Mission Street, Mount Pleasant, Michigan. The meeting is for the purpose of considering and acting upon the following:

1. The election of five directors.
2. Such other business as may properly come before the meeting, or any adjournment or adjournments thereof.

The Board of Directors has fixed March 31, 2010 as the record date for determination of shareholders entitled to notice of, and to vote at, the meeting or any adjournments thereof.

Your vote is important. Even if you plan to attend the meeting, please date and sign the enclosed proxy form, indicate your choice with respect to the matters to be voted upon, and return it promptly in the enclosed envelope. Note that if stock is held in more than one name, all parties should sign the proxy form.

By order of the Board of Directors

Debra Campbell, Secretary

Dated: April 9, 2010

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**ISABELLA BANK CORPORATION
401 N. Main St
Mount Pleasant, Michigan 48858**

PROXY STATEMENT

General Information

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Isabella Bank Corporation (the Corporation) a Michigan financial holding company, to be voted at the Annual Meeting of Shareholders of the Corporation to be held on Tuesday, May 4, 2010 at 5:00 p.m. at the Comfort Inn, 2424 S. Mission Street, Mount Pleasant, Michigan, or at any adjournment or adjournments thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders and in this Proxy Statement.

This Proxy Statement has been mailed on April 9, 2010 to all holders of record of common stock as of the record date. If a shareholder's shares are held in the name of a broker, bank or other nominee, then that party should give the shareholder instructions for voting the shareholder's shares.

Voting at the Meeting

The Board of Directors of the Corporation has fixed the close of business on March 31, 2010 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting of Shareholders and any adjournment thereof. The Corporation has only one class of common stock and no preferred stock. As of March 31, 2010, there were 7,543,506 shares of common stock of the Corporation outstanding. Each outstanding share entitles the holder thereof to one vote on each separate matter presented for vote at the meeting. Shareholders may vote on matters that are properly presented at the meeting by either attending the meeting and casting a vote or by signing and returning the enclosed proxy. If the enclosed proxy is executed and returned, it may be revoked at any time before it is exercised at the meeting. All shareholders are encouraged to date and sign the enclosed proxy, indicate their choice with respect to the matters to be voted upon, and return it to the Corporation.

The Corporation will hold the Annual Meeting of Shareholders if holders of a majority of the Corporation's shares of common stock entitled to vote are represented in person or by proxy at the meeting. If a shareholder signs and returns the proxy, those shares will be counted to determine whether the Corporation has a quorum, even if the shareholder abstains or fails to vote on any of the proposals listed on the proxy.

If a shareholder's shares are held in the name of a nominee, and the shareholder does not tell the nominee how to vote the shares (referred to as broker non-votes), then the nominee can vote them as they see fit only on matters that are determined to be routine and not on any other proposal. Broker non-votes will be counted as present to determine if a quorum exists but will not be counted as present and entitled to vote on any non-routine proposals.

In the election of directors, director nominees receiving a plurality of votes cast at the meeting will be elected directors of the Corporation. Shares not voted, including broker non-votes, have no effect on the election of directors.

Election of Directors

The Board of Directors is divided into three classes, with the directors in each class being elected for a term of three years. At the 2010 Annual Meeting of Shareholders five directors, James C. Fabiano, Dale D. Weburg, Theodore W. Kortes, Thomas L. Kleinhardt and Joseph LaFramboise, whose terms expire at the annual meeting, have been

nominated for election through 2013 for the reasons described below.

Except as otherwise specified in the proxy, proxies will be voted for election of the five nominees. If a nominee becomes unable or unwilling to serve, proxies will be voted for such other person, if any, as shall be designated by the Board of Directors. However, the Corporation's management now knows of no reason to anticipate that this will occur. The five nominees for election as directors who receive the greatest number of votes cast will be elected directors. Each of the nominees has agreed to serve as a director if elected.

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Nominees for election and current directors are listed below. Also shown for each nominee and each current director is his or her principal occupation for the last five or more years, age and length of service as a director of the Corporation.

The Board of Directors recommends that shareholders vote FOR the election of each of the five director nominees nominated by the Board of Directors.

Director s Qualifications

The Corporation s Board of Directors (the Board) consists of 15 members who are all well qualified to serve on the Board and represent our shareholder s best interest. As described below, under the caption Nominating and Corporate Governance Committee the Board and Nominating and Corporate Governance Committee (the Nominating Committee) select nominees to the Board to establish a Board that is comprised of members who:

- Have extensive business leadership
- Bring a diverse perspective and experience
- Are independent and collegial
- Have high ethical standards and have demonstrated sound business judgment
- Are willing and able to commit the significant time and effort to effectively fulfill their responsibilities
- Are active in and knowledgeable of their respective communities

Each director nominee along with the other directors bring these qualifications to the Board. They provide a diverse complement of specific business skills, experience, and knowledge including extensive financial and accounting experience, knowledge of banking, small business operating experience, and specific knowledge of customer market segments, including agriculture, oil and gas, health care, food and beverage, manufacturing, and retail.

The following describes the key qualifications each director brings to the Board, in addition to the general qualifications described above and the information included in the biographical summaries provided below.

Director	Professional Expertise in Standing in or Chosen Field	Audit Committee or Financial Involvement	Leadership and Team Skills	Diversity by Race, Gender, Cultural or Graphical Diversity	Tech-Marketing	Government	Entrepreneurial Skills	Human Resources	Bank Business Segment Representation
James C. Fabiano	X		X	X		X	X	X	X
Theodore W. Kortez	X		X	X	X			X	
Thomas L. Kleinhardt	X		X	X	X		X		X
Joseph Laframboise	X		X	X	X				
Dale D. Weburg	X		X	X	X		X		X

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Dennis P. Angner	X	X		X	X		X	X		X		
Jeffrey J. Barnes	X			X	X		X				X	X
G. Charles Hubscher	X	X		X	X						X	X
David J. Maness	X			X	X			X			X	X
W. Joseph Manifold	X	X	X	X	X		X	X				
William J. Strickler	X	X		X	X					X		X
Richard J. Barz	X	X		X	X		X		X		X	
Sandra L. Caul	X			X	X	X					X	X
W. Michael												
McGuire	X	X	X	X	X		X			X		
Dianne C. Morey	X			X	X	X					X	X

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The following table identifies the individual members of our Board currently serving on each of these standing committees:

Director	Audit	Nominating and Corporate Governance	Compensation and Human Resource
James C. Fabiano	X _o	X _o	X _{c,o}
Theodore W. Kortez			X
Thomas L. Kleinhardt			X
Joseph LaFramboise	X		X
Dale D. Weburg		X _c	X
Dennis P. Angner			X
Jeffrey J. Barnes			X
G. Charles Hubscher	X		X
David J. Maness	X	X	X
W. Joseph Manifold	X _c		X
William J. Strickler		X	X
Richard J. Barz			X
Sandra L. Caul		X	X
W. Michael McGuire	X		X
Dianne C. Morey			X
C Chairperson			
O Ex-Officio			

Director Nominees for Terms Ending in 2013

James C. Fabiano (age 66) has been a director of Isabella Bank (the Bank) since 1979 and of the Corporation since 1988. Mr. Fabiano is Chairman and CEO of Fabiano Brothers, Inc., a wholesale beverage distributor operating in several counties throughout Michigan. Mr. Fabiano is a past recipient of the Mount Pleasant Area Chamber of Commerce Citizen of the Year award. He is also a past Chairman of Central Michigan University Board of Trustees.

Theodore W. Kortez (age 69) was appointed director of the Corporation on January 1, 2008, and of the Bank on January 1, 2010. Mr. Kortez was President and CEO of Greenville Community Bank and Greenville Community Financial Corporation since its founding in 1998, until his retirement in 2006.

Thomas L. Kleinhardt (55) has been a director of Isabella Bank since October 1998 and was appointed to the Corporation's Board of Directors effective January 1, 2010. Mr. Kleinhardt is President of McGuire Chevrolet, is active in the Clare Kiwanis Club, and coaches girls Junior Varsity Basketball team at Clare High School.

Joseph LaFramboise (60) has been a director of Isabella Bank since September 2007, and was appointed to the Corporation's Board of Directors effective January 1, 2010. He is a retired Sales and Marketing Executive of Ford Motor Company. Mr. LaFramboise is Ambassador of Eagle Village in Ewart, Michigan.

Dale D. Weburg (age 66) has served as a director of the Breckenridge Division of Isabella Bank since 1987 and of the Bank and Corporation since 2000. Mr. Weburg is President of Weburg Farms, a cash crop farm operation. Mr. Weburg also serves as a trustee of the Board of Directors of Gratiot Health System.

Current Directors with Terms Ending in 2011

Dennis P. Angner (age 54) has been a director of the Corporation and Isabella Bank since 2000. Mr. Angner has been principally employed by the Corporation since 1984 and has served as President of the Corporation since December 30, 2001 and CFO since January 1, 2010. Mr. Angner served as Chief Executive Officer of the Corporation from December 30, 2001 through December 31, 2009. He is the past Chair of the Michigan Bankers Association, is a member of the American Bankers Association Government Relations Council, and has served on the Central Michigan American Red Cross board for over 20 years.

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Jeffrey J. Barnes (47) has been a director of Isabella Bank since September 2007 and was appointed to the Corporation's Board of Directors effective January 1, 2010. Dr. Barnes is a physician and owner of Central Eye Consultants. He is a former member of the Central Michigan Community Hospital Board of Directors.

G. Charles Hubscher (56) has been a director of Isabella Bank since May 2004 and was appointed to the Corporation's Board of Directors effective January 1, 2010. Mr. Hubscher is the President of Hubscher and Son, Inc., a sand and gravel producer. He is a director of the National Stone and Gravel Association, the Michigan Aggregates Association, serves on the Board of Trustees for the Mt. Pleasant Area Community Foundation, and is a member of Zoning Board of Appeals for Deerfield Township.

David J. Maness (age 56) has been a director of Isabella Bank since 2003 and of the Corporation since 2004. He is President of Maness Petroleum, a geological and geophysical consulting services company. Mr. Maness previously served on the Mount Pleasant Public Schools Board of Education.

W. Joseph Manifold (age 58) has been a director of the Corporation since 2003 and of the Bank since January 1, 2010. Mr. Manifold is a Certified Public Accountant and CFO of Federal Broach Holdings LLC, a holding company which operates several manufacturing companies. Previously, he was a senior auditor with Ernst & Young Certified Public Accounting firm working principally on external bank audits and was CFO of the Delfield Company. Prior to joining the Board, Mr. Manifold also served on the Isabella Community Credit Union Board and was Chairman of the Mount Pleasant Public Schools Board of Education.

William J. Strickler (age 69) has been a director of Isabella Bank since 1995 and of the Corporation since 2002. Mr. Strickler is President of Michiwest Energy, an oil and gas producer. Prior to joining the Corporation and the Bank Board he served as a director of the National City Community Bank Board.

Current Directors with Terms Ending in 2012

Richard J. Barz (age 61) has been a director of Isabella Bank since 2000 and of the Corporation since 2002. Mr. Barz has been employed by the Corporation since 1972 and has been Chief Executive Officer of the Corporation since January 1, 2010 and President and CEO of Isabella Bank since December 2001. Prior to his appointment as President and CEO, he served as Executive Vice President of Isabella Bank. Mr. Barz has been very active in community organizations and events. He is the past chairman of the Central Michigan Community Hospital Board of Directors, is the current chairman of the Middle Michigan Development Corporation Board of Directors, and serves on several boards and committees for Central Michigan University and various volunteer organizations throughout mid-Michigan.

Sandra L. Caul (age 66) has been a director of Isabella Bank since 1994 and of the Corporation since 2005. Ms. Caul is Vice Chairperson of the Central Michigan Community Hospital Board of Directors, Chairperson of the Mid Michigan Community College Advisory Board and board member for Central Michigan Community Mental Health Facilities. She also sits on the board of the Central Michigan American Red Cross. Ms. Caul retired in January 2005 as a state representative of the Michigan State House of Representatives. Ms. Caul is a registered nurse.

W. Michael McGuire (age 60) has been a director of the Corporation since 2007 and of the Bank since January 1, 2010. He is a director of the Farwell Division of Isabella Bank. Mr. McGuire is currently an attorney and the Director of the Office of the Corporate Secretary and Assistant Secretary of The Dow Chemical Company, a manufacturer of chemicals, plastics and agricultural products, headquartered in Midland, Michigan.

Dianne C. Morey (63) has been a director of Isabella Bank since December 2000 and was appointed to the Corporation's Board of Directors effective January 1, 2010. Mrs. Morey is an owner of Bandit Industries, Inc., a

forestry equipment manufacturer. She serves as a Trustee for the Mt Pleasant Area Community Foundation.

Each of the directors has been engaged in their stated professions for more than five years.

Other Named Executive Officers

Timothy M. Miller (age 59), President of the Breckenridge Division of Isabella Bank and a member of its Board of Directors, has been an employee of the Corporation since 1985. *Peggy L. Wheeler* (age 50), Senior Vice

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President and Controller of the Corporation, has been employed by the Corporation since 1977. Steven D. Pung (age 60), Chief Operations Officer of Isabella Bank and a member of the Board of Directors of Financial Group Information Services (a wholly owned subsidiary of the Corporation) has been employed by the Corporation since 1978.

All officers of the Corporation serve at the pleasure of the Corporation's Board of Directors.

Corporate Governance

Director Independence

The Corporation has adopted the director independence standards as defined under Rule 5605(a)(2) of the NASDAQ Marketplace Rules. The Board has determined that James C. Fabiano, Dale D. Weburg, David J. Maness, W. Joseph Manifold, William J. Strickler, Sandra L. Caul, W. Michael McGuire, Ted W. Kortez, Thomas L. Kleinhardt, Joseph LaFramboise, Jeffrey J. Barnes, Dianne C. Morey, G. Charles Hubscher are independent directors. Dennis P. Angner is not independent as he is employed as President and Chief Financial Officer of the Corporation. Richard J. Barz is not independent as he is employed as Chief Executive Officer of the Corporation.

Board Leadership Structure and Risk Oversight

The Corporation's Governance policy provides that only directors who are deemed to be independent as set forth by NASDAQ and SEC rules are eligible to hold the office of Chairman of the Board. Additionally, the chairpersons of Board established committees must also be independent directors. It is the Board's belief that the having a separate Chairman and Chief Executive Officer best serves the interest of the shareholders. The Board of Directors elects its chairperson at the first Board meeting following the annual meeting. Independent members of the Board of Directors meet without insider directors at least twice per year.

Management is responsible for the Corporation's day to day risk management and the Board's role is to engage in informed oversight. The Board utilizes committees to oversee risks associated with compensation, financial, and governance. Financial Group Information Services, the Corporation's information processing subsidiary is responsible for overseeing risks associated with information technology. The Isabella Bank Board of Directors is responsible for overseeing credit, investment, interest rate, and trust risks. The chairpersons of the respective boards or committees report on their activities on a regular basis.

The Audit Committee is responsible for the integrity of the consolidated financial statements of the Corporation; the independent auditors' qualifications and independence; the performance of the Corporation's, and its subsidiaries internal audit function and independent auditors; the Corporation's system of internal controls; the Corporation's financial reporting and system of disclosure controls; and the compliance by the Corporation with legal and regulatory requirements and with the Corporation's Code of Business Conduct and Ethics.

Committees of the Board of Directors and Meeting Attendance

The Board met 13 times during 2009. All incumbent directors attended 75% or more of the meetings held in 2009. The Board has an Audit Committee, a Nominating and Corporate Governance Committee, and a Compensation and Human Resource Committee.

Audit Committee

The Audit Committee is composed of independent directors who meet the requirements for independence as defined in Rule 5605(a)(2) of the NASDAQ Marketplace Rules. Information regarding the functions performed by the Committee, its membership, and the number of meetings held during the year, is set forth in the Report of the Audit Committee included elsewhere in this annual proxy statement. The Audit Committee is governed by a written charter approved by the Board. The Audit Committee Charter is available on the Bank's website, www.isabellabank.com, under the Investor Relations tab.

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In accordance with the provisions of the Sarbanes Oxley Act of 2002, directors Manifold and McGuire meet the requirements of Audit Committee Financial Expert and have been so designated by the Board. The current Committee also consists of directors Fabiano, Hubscher, LaFramboise, and Maness.

Nominating and Corporate Governance Committee

The Corporation has a standing Nominating and Corporate Governance Committee consisting of independent directors who meet the requirements for independence as defined in Rule 5605(a)(2) of NASDAQ Marketplace Rules. The Committee consists of directors Caul, Fabiano, Manifold, Strickler and Weburg. The Nominating and Corporate Governance Committee held two meetings in 2009, and all directors attended 75% or more of the meetings. The Board has approved a Nominating and Corporate Governance Committee Charter which is available on the Bank's website www.isabellabank.com under the Investor Relations tab.

The Nominating and Corporate Governance Committee is responsible for evaluating and recommending individuals for nomination to the Board for approval. The Committee in evaluating nominees, including incumbent directors and any nominees put forth by shareholders, considers business experience, skills, character, judgment, leadership experience, and their knowledge of the geographical markets, business segments or other criteria the Committee deems relevant and appropriate based on the current composition of the Board. The Committee considers diversity in identifying members with respect to geographical markets served by the Corporation and the business experience of the nominee.

The Nominating and Corporate Governance Committee will consider as potential nominees, persons recommended by shareholders. Recommendations should be submitted in writing to the Secretary of the Corporation, 401 N. Main St., Mount Pleasant, Michigan 48858 and include the shareholder's name, address and number of shares of the Corporation owned by the shareholder. The recommendation should also include the name, age, address and qualifications of the recommended candidate for nomination. Recommendations for the 2010 Annual Meeting of Shareholders should be delivered no later than December 10, 2010. The Nominating and Corporate Governance Committee does not evaluate potential nominees for director differently based on whether they are recommended to the Nominating and Corporate Governance Committee by a shareholder or otherwise.

Compensation and Human Resource Committee

The Compensation and Human Resource Committee of the Corporation is responsible for reviewing and recommending to the Corporation's Board the compensation of the President and executive officers of the Corporation, benefit plans and the overall percentage increase in salaries. The committee consists of independent directors, who meet the requirements for independence as defined in Rule 5605(a)(2) of the NASDAQ Marketplace Rules. The current Committee consists of directors Fabiano, Barnes, Caul, Hubscher, Kleinhardt, Kortes, LaFramboise, McGuire, Maness, Manifold, Morey, Strickler, and Weburg. The Committee held two meetings during 2009 with all directors attending the meetings. This Committee is governed by a written charter approved by the Board that is available on the Bank's website www.isabellabank.com under the Investor Relations tab.

Communications with the Board

Shareholders may communicate with the Corporation's Board of Directors by sending written communications to the Corporation's Secretary, Isabella Bank Corporation, 401 N. Main St., Mount Pleasant, Michigan 48858. Communications will be forwarded to the Board of Directors or the appropriate committee, as soon as practicable.

Code of Ethics

The Corporation has adopted a Code of Business Conduct and Ethics that is applicable to the Corporation's Chief Executive Officer and the Chief Financial Officer. The Corporation's Code of Business Conduct and Ethics is available on the Bank's website www.isabellabank.com under the Investor Relations tab.

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Report of the Audit Committee

The Audit Committee oversees the Corporation's financial reporting process on behalf of the Board. The 2009 Committee c