ISABELLA BANK CORP
Form DEF 14A
April 10, 2009

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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.)

Filed by the Registrant þ
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Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
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ISABELLA BANK CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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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 5, 2009

Notice is hereby given that the Annual Meeting of Shareholders of Isabella Bank Corporation will be held on Tuesday, May 5, 2009 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 four directors.

2. Such other business as may properly come before the meeting, or any adjournment or adjournments thereof.

The Board of Directors has fixed April 1, 2009 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 10, 2009

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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 5, 2009 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 10, 2009 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 April 1, 2009 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 April 1, 2009, there were 7,531,472 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 Annual Meeting of Shareholders, four directors will be elected for terms ending with the annual meeting of shareholders in 2012.

Except as otherwise specified in the proxy, proxies will be voted for election of the four nominees named below. 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 four 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.

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 four director nominees nominated by the Board of Directors.

Director Nominees for Terms Ending in 2012

Dennis P. Angner (age 53) has been a director of the Corporation since 2000. He also serves as an ex-officio member of all of the Corporation s subsidiary Boards of Directors and the Finance and Planning Committee. Mr. Angner also serves on the Board of Financial Group Information Services. Mr. Angner has been President and CEO of the Corporation since December 30, 2001. Prior to his appointment as President and CEO, he served as Executive Vice President of the Corporation. Mr. Angner is the past Chair of the Michigan Bankers Association and has served on the Central Michigan American Red Cross board for over 20 years.

David J. Maness (age 55) has been a director of the Corporation since 2004, and serves on the Audit Committee, the Compensation and Human Resource Committee and is currently Chairperson on the Finance and Planning Committee. He also serves on the Board of Directors of Isabella Bank and is Chairperson of Financial Group Information Services. He is President of Maness Petroleum, a geological and geophysical consulting services company. Mr. Maness served as a school board member of the Mount Pleasant School board.

W. Joseph Manifold (age 57) has been a director of the Corporation since 2003, and serves on the Nominating and Corporate Governance Committee, the Compensation and Human Resource Committee, and serves as Chairperson of the Audit Committee. Mr. Manifold is a Certified Public Accountant and CFO of Federal Broach Holdings, a manufacturing company. 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 Corporation. Prior to joining Isabella Bank Corporation Mr. Manifold also served on the Isabella Community Credit Union Board and was Chair of the Mount Pleasant School board.

William J. Strickler (age 68) has been a director of the Corporation since 2002, and serves on the Nominating and Corporate Governance Committee, the Finance and Planning Committee, and the Compensation and Human Resource Committee. He has been a director of Isabella Bank since 1995 and is currently serving as Chairperson. 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 2010

James C. Fabiano (age 65) has been a director of Isabella Bank since 1979 and of the Corporation since 1988, of which he is currently serving as Chairperson and is an ex-officio member of all corporate committees. He also serves as an ex-officio member of all subsidiary Boards of Directors of the Corporation and serves as Chairperson of the Compensation and Human Resource Committee. 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.

Dale D. Weburg (age 65) has served on the Board of the Corporation since 2000 and is a member of the Financial Group Information Services Board of Directors. He also serves as the Chairperson for the Nominating and Corporate Governance Committee, serves on the Audit Committee, and the Compensation and Human Resource Committee. He has been a director of the Breckenridge division of Isabella Bank since 1987, of which he is currently serving as Chairperson. 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.

Theodore W. Kortes (age 68) was appointed director of the Corporation on January 1, 2008, and serves on the Finance and Planning Committee and the Compensation and Human Resource Committee. He is a director and Chairperson of the Greenville division of Isabella Bank. Mr. Kortes was President and CEO of Greenville Community Bank and Greenville Community Financial Corporation since its founding in 1998, until his retirement in 2007.

Current Directors with Terms Ending in 2011

Richard J. Barz (age 60) has been a director of the Corporation since 2002. He has been a director of Isabella Bank since 2000. Mr. Barz also serves on the Board of Financial Group Information Services and is a member of the Finance and Planning Committee. Mr. Barz has been President and CEO of Isabella Bank since December 30, 2001. Prior to his appointment as President and CEO he served as Executive Vice President of Isabella Bank.

Sandra L. Caul (age 65) has been a director of the Corporation since 2005. She currently serves as director of Isabella Bank, and serves on the Audit Committee, the Nominating and Corporate Governance Committee, and the Compensation and Human Resource Committee. Ms. Caul is Vice Chair of Central Michigan Community Hospital Board of Directors and is Chairperson 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 59) has been a director of the Corporation since 2007, and serves on the Audit Committee, Finance and Planning Committee, and the Compensation and Human Resource Committee. 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.

Each of the directors has been engaged in their stated professions for more than five years. The principal occupation of Dennis P. Angner is with the Corporation, and he has been employed by Isabella Bank and/or the Corporation since 1984. Other executive officers of the Corporation include: Richard J. Barz, President of Isabella Bank, an employee of Isabella Bank and/or the Corporation since 1972; Timothy M. Miller (age 58), President of the Breckenridge division of Isabella Bank, an employee of Breckenridge division and/or the Corporation since 1985; Peggy L. Wheeler (age 49), Senior Vice President and Controller of the Corporation, employed by Isabella Bank and/or the Corporation since 1977; and Steven D. Pung (age 59), Chief Operations Officer of Isabella Bank, employed by Isabella Bank and/or the Corporation since 1978. All officers of the Corporation serve at the pleasure of the Board of Directors.

Corporate Governance

Director Independence

The Corporation has adopted the director independence standards as defined in NASDAQ Marketplace Rule 4200(a)(15). 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, and Ted W. Kortes are independent directors. Dennis P. Angner is not independent as he is employed as President and Chief Executive Officer of the Corporation. Richard J. Barz is not independent as he is employed as President and Chief Executive Officer of Isabella Bank.

Committees of the Board of Directors and Meeting Attendance

The Board of Directors of the Corporation met 14 times during 2008. All incumbent directors attended 75% or more of the meetings held in 2008. The Board of Directors has an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation and Human Resource Committee, and a Finance and Planning Committee.

Audit Committee

The Audit Committee is composed of independent directors who meet the requirements for independence as defined in NASDAQ Marketplace Rule 4200(a)(15). 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 of Directors and was included as Appendix A to the Corporation s proxy statement for the 2008 Annual Shareholder s Meeting.

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In accordance with the provisions of the Sarbanes Oxley Act of 2002, Director Manifold meets the requirements of Audit Committee Financial Expert and has been so designated by the Board of Directors. The committee also consists of directors Caul, Fabiano, Maness, McGuire and Weburg.

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 NASDAQ Marketplace Rule 4200(a) (15). The Committee consists of directors Caul, Fabiano, Manifold, Strickler and Weburg. The Nominating and Corporate Governance Committee met as a full board and held two meetings in 2008, and all directors attended 75% or more of the meetings in 2008. The Board of Directors has approved a Nominating and Corporate Governance Committee Charter and it was included as Appendix B to the Corporation s proxy statement for the 2008 Annual Shareholder s Meeting. The Nominating and Corporate Governance Committee is responsible for evaluating and recommending individuals for nomination to the Board of Directors for approval. In making its selections and recommendations, the Nominating and Corporate Governance Committee considers a variety of factors, which generally include the candidate s personal and professional integrity, independence, business judgment, and communication skills.

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 11, 2009. 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 of Directors the compensation of the President and executive officers of the Corporation, benefit plans and the overall percentage increase in salaries. The committee consists of all independent directors, Fabiano, Caul, Kortes, McGuire, Maness, Manifold, Strickler, and Weburg. The Committee held one meeting during 2008 with all directors attending the meeting. This committee is governed by a written charter approved by the Board of Directors that was attached as Appendix A to the Corporation s proxy statement for the 2007 Annual Shareholder s Meeting.

Finance and Planning Committee

The Finance and Planning Committee evaluates new business opportunities and business acquisitions, assists management in establishing financial goals, reviews all strategic plans of subsidiaries to assure consistency with overall corporate goals, and reviews interest rate risks, credit risks and insurance coverage. The committee consists of directors Maness, Angner, Barz, Fabiano, Kortes, McGuire, and Strickler.

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 principal executive officer and the principal financial officer and controller. The Corporation s Code of Business Conduct and Ethics may be obtained free of charge by sending a request to Debra Campbell, Secretary, Isabella Bank Corporation, 401 N. Main St., Mount Pleasant, Michigan 48858.

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Report of the Audit Committee

The Audit Committee oversees the Corporation s financial reporting process on behalf of the Board of Directors. The Committee consists of directors Fabiano, Caul, Maness, Manifold, McGuire, and Weburg.

The Audit Committee is responsible for pre-approving all auditing services and permitted non-audit services over $5,000 for the Corporation by its independent auditors or any other auditing or accounting firm, except as noted below. The Audit Committee has established general guidelines for the permissible scope and nature of any permitted non-audit services in connection with its annual review of the audit plan and reviews the guidelines with the Board of Directors.

Management has the primary responsibility for the consolidated financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited consolidated financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the consolidated financial statements. The Audit Committee also reviewed with management and the independent auditors, management s assertion on the design and effectiveness of the Corporation s internal control over financial reporting as of December 31, 2008.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited consolidated financial statements with accounting principles generally accepted in the United States of America, their judgments as to the quality, not just the acceptability, of the Corporation s accounting principles and such other matters as are required to be discussed with the Audit Committee by the standards of the Public Company Accounting Oversight Board (United States), including those described in AU Section 380 Communication with Audit Committees , as may be modified or supplemented. In addition, the Audit Committee has received the written disclosures and the letter from the independent accountants required by PCAOB Rule 3526, Communication with Audit Committees Concerning Independence, as may be modified or supplemented, and has discussed with the independent accountant the independent accountants independence.

The Audit Committee discussed with the Corporation s internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Corporation s internal controls and the overall quality of the Corporation s financial reporting process. The Audit Committee held four meetings during 2008, and all directors attended 75% or more of the meetings held in 2008.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the Securities and Exchange Commission. The Audit Committee has appointed Rehmann Robson as the independent auditors for the 2009 audit.

Respectfully submitted,

W. Joseph Manifold, Audit Committee Chairperson
James C. Fabiano
David J. Maness
Sandra L. Caul
W. Michael McGuire
Dale D. Weburg

Compensation Discussion and Analysis

The Compensation and Human Resource Committee (the Committee) is responsible for the compensation and benefits for the President and executive officers of the Corporation. The Committee evaluates and approves the executive officer and senior management compensation plans, policies and programs of the Corporation and its affiliates. The Committee also evaluates and establishes the compensation of the President and Chief Executive Officer of the Corporation. The President and Chief Executive Officer, Dennis P. Angner, conducts annual performance reviews for all Named Executive Officers, excluding himself. Mr. Angner recommends an appropriate salary increase to the Committee based on the performance review and the officer s years of service along with competitive market data.

Compensation Objectives

The Committee considers asset growth and earnings per share to be the primary ratios in measuring financial performance. The Corporation s philosophy is to maximize long-term return to shareholders consistent with safe and sound banking practices while maintaining the commitment to superior customer and community service. The Corporation believes that the performance of our executive officers in managing our business should be the basis for determining overall compensation. Consideration is also given to overall economic conditions and current competitive forces in the market place. The objectives of the Committee are to effectively balance salaries and potential compensation to an officer s individual management responsibilities and encourage them to realize their potential for future contributions to the Corporation. The objectives are designed to attract and retain high performing executive officers who will lead the Corporation while attaining the Corporation s earnings and performance goals.

What the Compensation Programs are Designed to Reward

The compensation programs are designed to reward dedicated and conscientious employment with the Corporation, loyalty in terms of continued employment, attainment of job related goals and overall profitability of the Corporation. In measuring an executive officer s contributions to the Corporation, the Committee considers numerous factors including, among other things, the Corporation s growth in terms of asset size and increase in earnings per share. In rewarding loyalty and long-term service, the Corporation provides attractive retirement benefits.

Elements of Compensation

The Corporation s executive compensation program has consisted primarily of base salary and benefits, annual cash bonus incentives, stock awards, and participation in the Corporation s retirement plans.

Why Each of the Elements of Compensation is Chosen

Base Salary and Benefits are set to provide competitive levels of compensation to attract and retain officers with strong motivated leadership. Each officer s performance, current compensation and responsibilities within the Corporation are considered by the Committee when establishing base salaries. The Corporation also believes it is best to pay sufficient base salary because it believes an over-reliance on equity incentive compensation could potentially skew incentives toward short-term maximization of shareholder value as opposed to building long-term shareholder value. Base salary encourages management to operate the Corporation in a safe and sound manner even when incentive goals may prove unattainable.

Annual Performance Incentives are used to reward executive officers for the Corporation s overall financial performance. This element of the Corporation s compensation programs is included in the overall compensation in order to reward employees above and beyond their base salaries when the Corporation s performance and profitability exceed established annual targets. The inclusion of incentive compensation encourages management to be more creative, diligent and exhaustive in managing the Corporation to achieve specified financial goals.

Stock Awards are also provided as stock awards are the element of compensation that is most effective in aligning the financial interests of management with those of shareholders and because stock awards are a traditional

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and well-proven element of compensation among community banks and bank holding companies. These stock awards are granted pursuant to the Isabella Bank Corporation and Related Companies Deferred Compensation Plan for Directors (Directors Plan), under which eligible executive officers elect to defer their director fees, which deferred fees are then converted, on a quarterly basis, into shares of the Corporation s common stock. The Corporation has established a Trust to fund the Directors Plan. The directors of the Corporation and its subsidiaries are required to defer at least 25% of their earned board fees into the Directors Plan.

Retirement Plans. The Corporation s retirement plans are designed to assist executives in providing themselves with a financially secure retirement. Our retirement plans include: a frozen defined benefit pension plan, a 401(k) plan, and a non-leveraged employee stock ownership plan (ESOP), which is frozen to new participants, and a retirement bonus plan.

How the Corporation Chose Amounts for Each Element

The Committee s approach to determining the annual base salary of executive officers is to offer competitive salaries in comparison with other comparable financial institutions. The Committee utilized both an independent consultant to perform a compensation survey of similar sized Michigan based institutions for 2007 and compensation information provided by the Michigan Bankers Association for banks in the State of Michigan with assets over $500 million to provide salary ranges for its executive officers. Specific factors used to decide where an executive officer s salary should be within the established range include the historical financial performance, financial performance outlook, years of service, and job performance.

The annual performance incentive is based on goals set on individual performance and recognition of individual performance. A subjective analysis is conducted by the Chief Executive Officer. The Chief Executive Officer makes a recommendation to the Committee for the appropriate amount for each individual executive officer. The Committee reviews, modifies, if necessary, and approves the recommendations of the Chief Executive Officer. The Committee reviews the performance of the Chief Executive Officer. The Committee uses the following factors as quantitative measures of corporate performance in determining annual cash bonus amounts to be paid.

- peer group financial performance compensation;
- 1 and 5 year shareholder returns;
- earnings per share and earnings per share growth;
- budgeted as compared to actual annual operating performance;
- community and industry involvement;
- results of audit and regulatory exams; and
- other strategic goals as established by the board of directors

While no particular weight is given to any specific factor, the Committee gives at least equal weight to the subjective analyses as described above.

Stock awards are granted pursuant to the Director s Plan, under which participants elect to defer their director fees, which director fees are then converted, on a quarterly basis, into shares of the Corporation s common stock based on the fair market value of a share of the Corporation s common stock at that time. Shares of stock credited to a participant s account under the Directors Plan are eligible for stock and cash dividends as payable.

Total compensation in 2008 was based on the committee targeting its executive officer s compensation to approximate the median of the ranges provided by independent consultants and Michigan Bankers Association surveys.

Retirement plans. In December 2006, the Board of Directors voted to curtail the defined benefit plan effective March 1, 2007. The effect of the curtailment was recognized in the first quarter of 2007 and the current participants accrued benefits were frozen as of March 1, 2007. Participation in the plan was limited to eligible employees as of December 31, 2006.

The Corporation has a 401(k) plan in which substantially all employees are eligible to participate. Employees may contribute up to 100% of their compensation subject to certain limits based on federal tax laws. As a result of the curtailment of the defined benefit plan noted above, the Corporation increased the contributions to the 401(k) plan effective January 1, 2007. The enhancement includes a discretionary 3.0% contribution for all eligible employees and matching contributions equal to 50% of the first 4.0% of an employee s compensation contributed to the Plan during the year.

The Corporation maintains a non-leveraged employee stock ownership plan (ESOP) which covers substantially all of its employees. The plan was frozen effective December 31, 2006 to new participants. Contributions to the plan are discretionary and approved by the Board of Directors.

The Corporation maintains a plan for officers to provide death benefits to each participant. Insurance policies, designed primarily to fund death benefits, have been purchased on the life of each participant with the Corporation as the sole owner and beneficiary of the policies.

The retirement bonus plan is a nonqualified plan of deferred compensation benefits for eligible employees effective January 1, 2007. An initial amount has been credited for each eligible employee as of January 1, 2007. Subsequent amounts will be credited on each allocation date thereafter as defined in the plan. The amount of the initial allocation and the annual allocation will be determined pursuant the payment schedule adopted at the sole and exclusive discretion of the Board of Directors, as set forth in the plan.

How Elements Fit into Overall Compensation Objectives

The elements of the Corporation s compensation are structured to reward past and current performance, continued service and motivate its leaders to excel in the future. The Corporation s salary compensation has generally been used to retain and attract motivated leadership. The Corporation intends to continually ensure salaries are sufficient to attract and retain exceptional officers. The Corporation s cash bonus incentive rewards current performance based upon personal and corporate goals and targets. The Corporation makes stock awards to motivate its officers to enhance value for shareholders by aligning the interests of management with those of its shareholders.

As part of its goal of attracting and retaining quality team members, the Corporation has developed employee benefit plans that make it stand out from the rest of the competition. Management feels that the combination of all of the plans listed above makes the Corporation s total compensation packages attractive.

Compensation and Benefits Committee Report

The following Report of the Compensation and Human Resource Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Corporation filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Corporation specifically incorporates this Report by reference therein.

The Compensation and Human Resource Committee, which includes the independent directors of the board, has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K with management, and based on such review and discussion, the Compensation and Human Resource Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and Annual Report on Form 10-K.

Submitted by the Compensation and Human Resource Committee of Isabella Bank Corporation s Board of Directors:

James C. Fabiano, Chairperson
Sandra L. Caul
Ted W. Kortes

David J. Maness
W. Joseph Manifold
W. Michael McGuire
William J. Strickler
Dale D. Weburg

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Executive Officers

Executive Officers of the Corporation are compensated in accordance with their employment with the applicable entity. The following table shows information on compensation earned from the Corporation or its subsidiaries for each of the last three fiscal years ended December 31, 2008, by the President and Chief Executive Officer, the Principal Financial Officer, and the corporation s three most highly compensated executive officers.

Summary Compensation Table

Name and principal position	Year	Salary ($)(1)	Bonus ($)(1)	Stock Awards ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(2)	All Other Compensation ($)(3)	Total ($)
Dennis P. Angner	2008	$ 294,670	$ 9,450	$ 41,425	$ 28,089	$ 18,453	$ 392,087
President and CEO	2007	288,101	8,225	26,280	(7,000)	18,715	334,321
of Isabella Bank Corporation	2006	255,237	10,000	16,228	70,646	8,233	360,344
Peggy L. Wheeler	2008	105,000	3,500		13,000	2,216	123,716
Principal Financial Officer,	2007	100,000	3,000		(3,000)	2,023	102,023
Sr. Vice President	2006	88,500			14,339	685	103,524
and Controller of							
Isabella Bank Corporation							
Richard J. Barz	2008	300,785	9,100	32,490	72,622	22,697	437,694
Executive Vice President of	2007	274,706	7,875	18,125		23,226	323,932
Isabella Bank Corporation	2006	237,175	14,400	15,100	134,235	10,948	411,858
President and CEO							
Isabella Bank							
Timothy M. Miller	2008	160,145	3,200	6,715	3,411	14,127	187,598
Vice President of	2007	155,171		7,880	(1,000)	14,167	176,218
Isabella Bank Corporation	2006	149,117	3,567	7,223	17,030	5,778	182,715
President of the Breckenridge							
division of Isabella Bank							
Steven D. Pung(4)	2008	117,100	3,785	1,125	45,884	13,169	181,063
Sr. Vice President and COO	2007	108,100	3,625	1,800		14,194	127,719
Isabella Bank							

(1) Includes compensation voluntarily deferred under the Corporation s 401(k) plan. Directors fees paid in cash are also included, for calendar years 2008, 2007 and 2006 respectively as follows: Dennis P. Angner $14,670, $23,870 and $20,237; Richard J. Barz $25,785, $20,475 and $12,175; and Timothy M. Miller $17,445, $20,940 and $18,117.

(2) For 2006, approximately 75% of the change in the present value of the defined benefit is related to prior service, a decrease in the assumed discount rate, and a change in the actuarial mortality table. Amounts were determined using assumptions consistent with those used in the Corporation s consolidated financial statements. The Board of Directors approved a curtailment of this plan in December 2006 effective March 1, 2007. Assumptions were consistent with those that were presented in the consolidated financial statements.

(3) For all noted executives all other compensation includes 401(k) matching contributions. For Richard J. Barz and Steven D. Pung this also includes club dues and auto allowance. For Dennis P. Angner and Timothy M. Miller, this also includes auto allowance.

(4) Not a named executive officer prior to 2007.

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2008 Pension Benefits

The following table indicates the present value of accumulated benefits as of December 31, 2008 for each named executive in the summary compensation table.

Name	Plan Name	Number of Years of Credited Service as of 01/01/09 (#)	Present Value of Accumulated Benefit ($)	Payments During Last Fiscal Year
Dennis P. Angner	Isabella Bank Corporation Pension Plan	23	$ 297,000	$
	Isabella Bank Corporation Retirement Bonus Plan	23	177,570	
Peggy L. Wheeler	Isabella Bank Corporation Pension Plan	28	79,000	
	Isabella Bank Corporation Retirement Bonus Plan	28	46,134	
Richard J. Barz	Isabella Bank Corporation Pension Plan	35	625,000	
	Isabella Bank Corporation Retirement Bonus Plan	35	201,383	