TAYLOR DEVICES INC
Form DEF 14A
September 24, 2010

SCHEDULE 14A INFORMATION

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

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-12

TAYLOR DEVICES, INC.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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1

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

TAYLOR DEVICES, INC.
90 TAYLOR DRIVE
NORTH TONAWANDA, NEW YORK 14120-0748

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF TAYLOR DEVICES, INC.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of TAYLOR DEVICES, INC. (the "Company") will be held at the Buffalo Marriott Niagara, 1340 Millersport Highway, Amherst, New York on November 5, 2010 at 11:00 A.M. for the following purposes:

1. To elect two Class 3 directors of the Company to serve a three-year term expiring in 2013, or until the election and qualification of their successors.

2. To ratify the selection of Lumsden & McCormick, LLP as the Independent Registered Public Accounting Firm of the Company for fiscal year ending May 31, 2011.

3. To transact such other business as may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

The Board of Directors has fixed the close of business on September 24, 2010 as the record date for determining which shareholders shall be entitled to notice of and to vote at the Annual Meeting. SHAREHOLDERS WHO ARE UNABLE TO BE PRESENT PERSONALLY MAY ATTEND THE MEETING BY PROXY. SUCH SHAREHOLDERS ARE REQUESTED TO DATE, SIGN AND RETURN THE ENCLOSED PROXY. THE PROXY MAY BE REVOKED AT ANY TIME BEFORE IT IS VOTED.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Reginald B. Newman II

Reginald B. Newman II
Secretary

DATED: September 28, 2010
North Tonawanda, New York

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON NOVEMBER 5, 2010

The proxy statement and the annual report to shareholders are available at www.taylordevices.com/investors.html

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PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS OF TAYLOR DEVICES, INC. 90 TAYLOR DRIVE NORTH TONAWANDA, NEW YORK 14120-0748

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TO BE HELD AT THE BUFFALO MARRIOTT NIAGARA
1340 MILLERSPORT HIGHWAY
AMHERST, NEW YORK
NOVEMBER 5, 2010

This Proxy Statement is furnished to shareholders by the Board of Directors of Taylor Devices, Inc. in connection with the solicitation of proxies for use at the Annual Meeting of Shareholders to be held on November 5, 2010 at 11:00 A.M., and at any adjournments of the meeting, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This Proxy Statement and the accompanying form of proxy are being mailed to shareholders commencing on or about September 28, 2010.

If the enclosed form of proxy is properly executed and returned, the shares represented by the proxy will be voted in accordance with the proxy's instructions. Any proxy given pursuant to this solicitation may be revoked by the shareholder at any time prior to its use by written notice to the Secretary of the Company.

The Board of Directors has fixed the close of business on September 24, 2010 as the record date for determining the holders of common stock entitled to notice of and to vote at the meeting. On September 24, 2010, the Company had outstanding and entitled to vote a total of 3,230,968 shares of common stock. Each outstanding share of common stock is entitled to one vote on all matters to be brought before the meeting.

For shares held in the name of a broker or other nominee, the owner may vote such shares at the meeting if the owner brings with him or her a letter from the broker or nominee confirming his or her ownership as of the record date, and a legal proxy.

Directions for attending the meeting may be obtained at http://www.mapquest.com/ or by calling the Company at (716) 694-0800.

COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the common stock as of September 24, 2010, with respect to (i) each person known by the Company to be the beneficial owner of more than 5% of the common stock, (ii) each of the Company's directors and nominees for director, (iii) each Named Executive Officer and (iv) all of the directors and executive officers as a group. All information is based upon ownership filings made by such persons with the Securities and Exchange Commission or upon information provided by such persons to the Company.

There are no persons known by the Company to be the beneficial owners of more than 5% of the Company's common stock.

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Name of Beneficial Owner	Number of Shares	Percentage of Common Stock Owned
Douglas P. Taylor (1)	120,142 (2) (4)	3.7
Randall L. Clark (3)	45,000 (4)	1.4
Reginald B. Newman II (5)	35,000 (4)	1.1
Richard G. Hill (1)	115,789 (4) (6)	3.6
John Burgess (7)	20,000 (4)	0.6
All of the directors and executive officers as a group (6 persons)	351,931 (8)	10.9

(1) Messrs. Taylor and Hill are brothers in law and both are directors of Tayco Realty Corporation ("Tayco Realty"), an affiliate of the Company.

(2) Includes 7,307 shares, held beneficially and of record by Sandi Taylor, wife of Douglas P. Taylor. As to all such shares, Mr. Taylor disclaims any beneficial ownership.

(3) Mr. Clark also serves on the board of directors of several other area corporations, including Computer Task Group Inc., which is a publicly traded company.

(4) Includes options granted to directors and officers and which have not been exercised: 25,000 by Mr. Taylor, 40,000 shares by Mr. Clark, 25,000 by Mr. Newman, 25,000 by Mr. Hill and 20,000 by Mr. Burgess. These options were granted pursuant to the 1998 Taylor Devices, Inc. Stock Option Plan ("1998 Plan"), the 2001 Taylor Devices, Inc. Stock Option Plan ("2001 Plan"), the 2005 Taylor Devices, Inc. Stock Option Plan ("2005 Plan") and the 2008 Taylor Devices, Inc. Stock Option Plan ("2005 Plan").

(5) Mr. Newman also serves on the board of directors of Rand Capital Corporation, which is a publicly traded company.

(6) Includes 27,365 shares, held beneficially and of record by Joyce Taylor Hill, wife of Mr. Hill and sister of Douglas P. Taylor. As to these shares, Mr. Hill disclaims any beneficial ownership.

(7) From 2002 until his retirement in 2008, Mr. Burgess served as the Chairman and Chief Executive Officer of Reichert, Inc., a company engaged in the design, development, manufacture and sale of ophthalmic and analytical instruments.

(8) Includes options of 16,000 shares granted to Mark V. McDonough, Treasurer and Chief Financial Officer of the Company, which have not been exercised.

PROPOSAL 1 - ELECTION OF DIRECTORS

Each year directors comprising one of the three Classes of the Board of Directors of the Company are proposed for election by the shareholders, each to serve for a three-year term, or until the election and qualification of his successor. The Board of Directors, acting through the recommendation of the Nominating Committee, is responsible for nominating Messrs. Taylor and Clark as management's nominees to be elected to Class 3 at this Annual Meeting for a term expiring in 2013. Both candidates have previously served as directors and have been elected at prior annual meetings of shareholders.

The persons named on the enclosed form of proxy will vote all shares present at the Annual Meeting *for*the election of the nominee, unless a shareholder, by his or her proxy, directs otherwise. Should Messrs. Taylor and Clark be unable to serve, proxies will be voted in accordance with the best judgment of the person or persons acting under such authority. Management expects that the nominees will be able to serve.

The Company believes that each of the nominees has professional experience in areas relevant to its strategy and operations. The Company also believes that each of the nominees has other attributes necessary to function as an effective Board and to guide the Company, including high personal and professional ethics, the willingness to engage management and each other in a constructive and collaborative fashion, the ability to devote significant time to serve on the Board and its committees and a commitment to representing the long-term interests of the shareholders. In addition to these attributes, in each individual's biography set forth below, the Company has highlighted specific experience, qualifications, and skills that led the Nominating Committee and the Board to conclude that each individual should continue to serve as a director.

Nominees for Election as Class 3 Directors Whose Terms Expire in 2010

Douglas P. Taylor,62, has served as a director since 1976. Employed by Taylor Devices, Inc. since 1971, Mr. Taylor has held the positions of Director of Sales, Director of Engineering, Vice-President and Executive Vice-President. He was appointed President, CEO and Chairman of the Board in April 1991. Mr. Taylor holds a B.S. degree in Mechanical Engineering from the State University of New York at Buffalo, awarded in 1971.

Mr. Taylor is widely published within the shock and vibration community with more than 60 publications. He is the inventor of 32 patents. Since 1988, Mr. Taylor has hosted internship programs for engineering students, affiliated as an industrial sponsor with the State University of New York at Buffalo, the Erie County State of New York Board of Co-operative Educational Services and the North Tonawanda, New York Public School System.

Since 1991, Mr. Taylor has participated in research projects in the field of earthquake protection, in association with the University at Buffalo's Civil, Structural and Environmental Engineering Department and the Multidisciplinary Center for Earthquake Engineering Research. As a result of this research, military technology from the Cold War era is now being used worldwide for seismic and high wind protection of commercial building and bridge structures.

In 1994, Mr. Taylor was named to the American Society of Civil Engineers' Subcommittee on the Seismic Performance of Bridges. In 1998, Mr. Taylor was appointed to an Oversight Committee of the U.S. Department of Commerce, developing guidelines for the implementation of damping technology into buildings and other structures, as part of the U.S. National Earthquake Hazard Reduction Program. He holds many awards, including the Franklin and Jefferson Medal for his commercialization of defense technology developed under the U.S. Government's Small Business Innovation Research Program and the Clifford C. Furnas Memorial Award by the Alumni Association of the University at Buffalo for his accomplishments in the field of engineering. In 2006, Mr. Taylor was the recipient of the Dean's Award for Engineering Achievement by the School of Engineering and Applied Sciences at the State University of New York at Buffalo.

Mr. Taylor, as the Chief Executive Officer, serves as the principal interface between management and the Board. The Company believes that his wide-ranging roles throughout his career at the Company provides him with significant leadership, industry, marketing and international experience, which qualify him to serve as a member of the board of directors.

Randall L. Clark, 67, has served as a director since 1996. He is and has been the Chairman of Dunn Tire LLC since 1996. From 1992 to 1996, Mr. Clark was Executive Vice President and Chief Operating Officer of Pratt & Lambert, until it was purchased by Sherwin Williams. Mr. Clark holds a B.A. degree from the University of Pennsylvania, and earned his M.B.A. from the Wharton School of Finance and Commerce.

Mr. Clark has been employed in the tire industry for many years. He was named President of the Dunlop Tire Corporation in 1980, was appointed to the Board of Directors in 1983, and named President and Chief Executive Officer in 1984. He was one of seven chief executives of operating companies appointed to the Group Management Board of Dunlop Holdings, plc., and was Chairman of the Board and Chief Executive

Officer of Dunlop Tire Corporation in North America from 1985 to 1991.

From 1977 to 1980, Mr. Clark was Vice President of Marketing for the Dunlop Tire Division. From 1973 to 1977, he was employed by Dunlop as Director of Marketing at the company's Buffalo, NY headquarters. From 1968 to 1973, Mr. Clark was employed by the B.F. Goodrich Company.

Mr. Clark is currently a Director of Computer Task Group, a publicly traded company, Lifetime Healthcare Companies, Merchants Mutual Insurance Company and HSBC-WNY. He is also a Director of Curtis Screw and The Ten Eleven Group. He is a past President of the International Trade Council of Western New York, past Chairman of the Buffalo Chamber of Commerce, past Chairman of the Buffalo Niagara Enterprise, a Director of the Amherst Industrial Development Agency, and Chairman of Univera Healthcare. He serves on the Board of Trustees of the American Heart Association, and is past Chairman and a Director of AAA of Western and Central New York. Mr. Clark was appointed by Governor George Pataki and served on the Council for the State University of New York at Buffalo. Recently he was appointed to the Board of Trustees of the University at Buffalo Foundation.

Mr. Clark brings to the Board significant executive and operational corporate experience. His service as a director of other public companies has assisted Mr. Clark in bringing strong and effective leadership to the Board, as well as unique strategic and business insights into the Company. Mr. Clark's strong experience has also facilitated his position as Chairman of the Nominating and Compensation Committees. The Company believes that these attributes qualify him to serve as a member of the board of directors.

Class 1 Director Whose Term Expires in 2011

Reginald B. Newman II, 72, has served as a director since 2006. He was employed by NOCO Energy Corp., a diversified distributor and retailer of petroleum and other energy related products from 1960, retiring in 2003. Mr. Newman is also Chairman of Prior Aviation Service, Inc., Buffalo, New York. Mr. Newman received his B.S. degree in Business Administration from Northwestern University in 1959.

From 1959 to 1960, Mr. Newman was employed by the Ford Motor Company of Dearborn, Michigan, in the product planning department.

Mr. Newman is currently a Director of Dunn Tire LLC and a Director and Chairman of Rand Capital Corporation. He retired as a Director of M&T Bank Corporation, a publicly traded company, in 2009. Mr. Newman was the Chair of the Board of Trustees of the University at Buffalo Foundation, Inc. from 1996-2008.

Mr. Newman received the 1997 Executive of the Year, awarded by the State University of New York at Buffalo. In 1998 Mr. Newman received the Walter P. Cooke Award for Notable and Meritorious Service to the University presented by the University at Buffalo Alumni Association. He received the President's Medal from the University in 2003, as well as their highest honor, the Norton Medal in 2006. He is a former member of the Buffalo Niagara Partnership and was Chairman from 1996 through 1998. Mr. Newman was awarded an Honorary Degree from Canisius College in 1997.

Mr. Newman's years of service on the boards of other public companies provide him with additional insights and perspectives from which to view the Company's operations and the Board's activities. The Company believes that Mr. Newman's education, positions and experience described above qualify him to serve as a member of the board of directors.

Class 2 Directors Whose Terms Expire in 2012

Richard G. Hill, 60, has served as a director since 1991. In November 1991, Mr. Hill was appointed Vice President of Taylor Devices, Inc. by the Board of Directors. He had been employed previously by Taylor Devices, Inc. since 1978 as Vice President of Production. In addition, he has held key project management positions with the Company on major aerospace and defense contracts. From 1973 to 1978, Mr. Hill was employed by the Alliance Tool and Die Company of Rochester, New York as a Project Leader and Design Engineer. From 1970 to 1973, he was employed by the same firm as an Engineer in Training, through a co-op program with the Rochester Institute of Technology. Mr. Hill holds a B.S. degree in Electrical Engineering from the Rochester Institute of Technology, awarded in 1973.

Mr. Hill has served on the Founding Board of Directors of the Center for Competitiveness of the Niagara Region and the Advisory Board to The Center for Industrial Effectiveness. Mr. Hill also served as Chairman for the Manufacturers Council of the Buffalo Niagara Partnership, and also served on the State University of New York at Buffalo's UB Business Alliance Advisory Board, as well as holding the seat of Secretary.

The Company believes that Mr. Hill's management experience and his extensive knowledge of the Company's history and philosophy, its products, technology and personnel, as well as its markets and customers, qualify him to serve as a member of the board of directors.

John Burgess, 65, has served as a director since 2007. Mr. Burgess gained his international strategy, manufacturing operations and organizational development expertise from his more than 35 years experience with middle market public and privately-owned companies. Mr. Burgess served as President and CEO of Reichert, Inc. a leading provider of ophthalmic instruments, and spearheaded the acquisition of the company from Leica Microsystems in 2002, leading the company until its sale in January 2007. Prior to the acquisition, Mr. Burgess served as President of Leica's Ophthalmic and Educational Divisions before leading the buyout of the Ophthalmic Division and formation of Reichert, Inc. Mr. Burgess earned a BS in Engineering from Bath University in England, and an M.B.A. from Canisius College.

From 1996 to 1999, Mr. Burgess was COO of International Motion Controls (IMC), a $200 million diversified manufacturing firm. During his tenure there, he led a significant acquisition strategy that resulted in seven completed acquisitions and sixteen worldwide businesses in the motion control market. Previously, Mr. Burgess operated a number of companies for Moog, Inc. and Carleton Technologies, including six years as President of Moog's Japanese subsidiary, Nihon Moog K.K. located in Hiratsuka, Japan. Moog, Inc. is the global leader in electro-hydraulic servo control technology with focus on the aerospace and defense sectors and was recognized as one of The 100 Best Companies to Work For in America by *Fortune Magazine*.

Currently Mr. Burgess is an Operating Partner of Summer Street Capital LLC and Director of Bird Technologies Corporation of Solon, Ohio.

As a result of the positions and experience described above, Mr. Burgess demonstrates leadership skills and a strong background in financial and accounting matters. He serves as the Audit Committee Financial Expert. The Company believes that Mr. Burgess' academic background, and his experience in executive positions at a range of companies in industries related to our own, qualify him to serve as a member of the board of directors.

Management recommends that you vote "FOR" each of the Nominees.

BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Board Leadership Structure. The positions of Chief Executive Officer ("CEO") and Chairman of the Board are both held by Mr. Douglas Taylor. The Board believes that the combined role of Chairman and CEO is the most effective leadership structure for the Company and in the best interests of its shareholders. It serves to promote strong and consistent leadership, allowing management to speak with a single voice and delineate primary responsibility for management of the Company. The Board believes that Mr. Taylor is best suited to serve as Chairman because, as CEO, he is most knowledgeable regarding the Company's business, can best identify strategic priorities and opportunities, and thus lead discussion at the Board level to execute the Company's strategy. The Board also believes that the combined role of Chairman and CEO facilitates the flow of information between the Board and executive management. In considering its leadership structure, the Board believes that the majority of independent directors serving on the Board, and the Company's strong corporate policies and procedures, appropriately balance the combined roles of Chairman and CEO.

Board Risk Oversight. Risk management is primarily the responsibility of the Company's management; however, the Board has responsibility for overseeing management's identification and management of those risks. The Board considers risks in making significant business decisions and as part of the Company's overall business strategy. The Board and its committees, as appropriate, discuss and receive periodic updates from senior management regarding significant risks to the Company in connection with the annual review of the Company's business plan and its review of budgets, strategy and major transactions.

Each of the Board's committees assists the Board in overseeing the management of the Company's risks within the areas delegated to that committee, which in turn reports to the full Board, as appropriate. The Audit Committee is responsible for risks relating to its review of the Company's financial statements and financial reporting processes, the evaluation of the effectiveness of internal control over financial reporting, and compliance with legal and regulatory requirements. The Compensation Committee is responsible for monitoring risks associated with the design and administration of the Company's compensation programs. The Nominating Committee oversees risk as it relates to the Company's corporate governance processes. Each committee has full access to management.

MEETINGS AND COMMITTEES

In fiscal 2010, the Board of Directors met three times with all of the directors in attendance. All Board members traditionally attend the annual meeting, notwithstanding that the Company does not have a policy with regard to attendance. In 2009, all Board members attended the annual meeting.

The Executive Committee, between meetings of the Board of Directors and to the extent permitted by law, exercises all of the powers and authority of the Board in the management of the business of the Company. The Executive Committee is comprised of Messrs. Taylor, Hill and Newman. The Committee did not meet in fiscal 2010.

The Audit Committee, comprised of Messrs. Clark, Newman and Burgess and chaired by Mr. Burgess, is governed by an Audit Committee Charter which has been adopted by the Board of Directors. The Charter was revised on August 12, 2009 to provide for review of any related party transactions by the Audit Committee and was attached as an Appendix to the Company's proxy statement dated September 28, 2009 in connection with the Company's annual meeting of shareholders. Mr. Burgess also serves as the Audit Committee financial expert. The Audit Committee met five times in fiscal 2010 with all members in attendance. Messrs. Clark, Newman and Burgess are independent directors within the meaning of Rule 5605(c)(2)(A) of the applicable NASDAQ Capital Market listing standards. See also below.

The Nominating Committee, comprised of Messrs. Clark, Newman and Burgess and chaired by Mr. Clark, met three times in fiscal 2010 with all members in attendance. The Nominating Committee Charter was attached as an Appendix to the proxy statement dated September 29, 2008 in connection with the Company's annual meeting of shareholders.

The Compensation Committee, comprised of Messrs. Clark, Newman and Burgess and chaired by Mr. Clark, reviews the compensation of the Company's executive officers and makes recommendations in that regard to the Board as a whole. The Committee also administers the Company's stock option plans. The Compensation Committee met twice in fiscal 2010 with all members in attendance. The Compensation Committee Charter was attached as an Appendix to the proxy statement dated September 29, 2008 in connection with the Company's annual meeting of shareholders.

Messrs. Clark, Newman and Burgess are independent directors within the meaning of Rule 5605 of the applicable NASDAQ Capital Market listing standards.

The Audit Committee Report

The information contained in this Audit Committee Report shall not be deemed to be soliciting material, or deemed to be filed with or incorporated by reference in filings with the U.S. Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934.

As required by the terms of the Audit Committee Charter, the undersigned members of the Audit Committee have:

1. reviewed and discussed the Company's audited financial statements with management of the Company;

2. reviewed and discussed with the Company's independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 114, as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

3. received the written disclosures and the letter from the independent accountants, as required by Public Company Accounting Oversight Board in Rule 3526 ("Communication With Audit Committees Concerning Independence") as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and has discussed with the independent accountant, the independent accountants'

independence; and

4. Based on the foregoing, the Audit Committee has recommended to the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for fiscal 2010 for filing with the Securities and Exchange Commission ("SEC").

Respectfully submitted,

John Burgess
Randall L. Clark
Reginald B. Newman II

Nominating Committee

The Nominating Committee is governed by the terms of the Nominating Committee Charter and its Attachments (together, the "Charter") with respect to the consideration and selection of nominees, including those recommended by shareholders, proposed for election to the Board of Directors.

The Criteria and Procedures.

The Company strives to have a Board of Directors which will work diligently to promote the long-term interests of the Company and its shareholders. To that end, the Charter sets forth certain director qualification criteria (the "Criteria") which the Nominating Committee believes are necessary for a director of the Company to possess, and provides a description of the procedures to be followed when making a recommendation as to any nominee. So long as any individual proposed by shareholders meets the Criteria, the Nominating Committee will consider such recommendations on the same basis as other candidates. The Criteria include integrity, reputation, judgment, knowledge, independence, experience and accomplishments, board interaction, skills and long-term commitment. The Committee is to apply the Criteria to candidates recommended by a Nominating Committee member, other Directors and management, as well to any candidate meeting the Criteria recommended by shareholders.

During the selection process, the Nominating Committee seeks inclusion and diversity within the Board and adheres to the Company's policy of maintaining an environment free from discrimination based upon race, color, religion, national origin, sex, age, disability, sexual preference or orientation, marital status or any other unlawful factor. The Board strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee the Company's business.

The Nominating Committee annually reviews the requirements relating to diversity and recommends to the Board any changes it believes appropriate to reflect best practices. In addition, the Board assesses annually its overall effectiveness by means of a self-evaluation process. This evaluation includes, among other things, an assessment of the overall composition of the Board, including a discussion as to whether the Board has adequately considered diversity, among other factors, in identifying and discussing director candidates.

The Evaluation Process.

The Charter also describes the process for identifying and evaluating nominees for director, including those nominated by shareholders. In each instance, the Nominating Committee is to assess the Board's present and anticipated strengths and needs, based upon the Company's current and future needs. The selection of candidates is intended to provide the Board with an appropriate balance of expertise or experience in accounting and finance, technology, management, international business outside of the United States, compensation, corporate governance, strategy, industry knowledge and general business matters.

Management's Nominees.

Messrs. Newman and Burgess recommended both Messrs. Taylor and Clark as management's proposed Class 3 Director nominees to stand for election by shareholders at this Annual Meeting. In addition to other Criteria, any nominee recommended to fill a vacancy on the Nominating, Audit or Compensation Committee will be required to meet independence standards set forth in of Rule 5605 of the NASDAQ Capital Market listing standards.

Nominees by Shareholders.

Shareholders of the Company may make their suggestions for a director nominee to the entire Board of Directors, or to any individual director, by a submission directed to the Company's Corporate Secretary's Office. The Corporate Secretary's Office will then forward the recommendation, together with all supporting documentation, to Mr. Clark, as Chairman of the Nominating Committee. Supporting documentation must include a detailed background of the proposed candidate, and demonstrate how the candidate meets the Criteria. In fiscal year 2010, one self-nominated shareholder was proposed to the Nominating Committee as a candidate for director.

Recommendations should be sent c/o Corporate Secretary's Office, Taylor Devices, Inc., 90 Taylor Drive, P. O. Box 748, North Tonawanda, NY 14120-0748.

Director Compensation

Each member of the Board of Directors receives a fee of $2,500 for each Board meeting attended. The Secretary or Assistant Secretary of the meeting receives an additional fee of $2,250 per meeting for secretarial services.

The Audit Committee meets independently of the Board of Directors not less than four times each year. Each committee member receives a fee of $1,000 per meeting. The Secretary or Assistant Secretary of the meeting receives an additional fee of $500 per meeting for secretarial services.

The Nominating Committee meets independently of the Board of Directors not less than once a year. Each committee member receives a fee of $500 per meeting. The Secretary or Assistant Secretary of the meeting receives an additional fee of $250 per meeting for secretarial services.

The Compensation Committee meets independently of the Board of Directors not less than twice a year. Each committee member receives a fee of $500 per meeting. The Secretary or Assistant Secretary of the meeting receives an additional fee of $250 per meeting for secretarial services.

Pursuant to the formula set forth in the 2008 Plan, on April 18, 2010, the fixed date of the grant, each director was granted options to purchase 5,000 shares of the Company's stock. The exercise price on April 18, 2010 was $6.35, which was the fair market value for a share of common stock according to the terms of the Plan. The fair market value is the mean between the high and low prices for a share of common stock as quoted by NASDAQ on the date of the grant. If there is only one price quoted for the day of the grant, the fair market value shall be such price; and if no such price is quoted for the day of the grant, the fair market value shall be the previous closing price. In the event that no previous closing price is available, then the fair market value of one share of Common Stock on the day the option is granted shall be determined by the Committee or by the Board.

Director Compensation Table

Name	Fees earned or paid in cash ($)	Stock awards ($)	Option awards ($)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
John Burgess	$15,000	None	$12,875	None	None	$750	$28,625
Randall L. Clark	$15,000	None	$12,875	None	None	$750	$28,625
Reginald B. Newman II	$15,000	None	$12,875	None	None	$750	$28,625

Current Directors and Officers

For information concerning Messrs. Taylor, Hill, Clark, Newman and Burgess, *see* "PROPOSAL 1 - ELECTION OF DIRECTORS" above.

Mark V. McDonough, (50), the Treasurer and Chief Financial Officer of the Company, joined the Company in 2003. Mr. McDonough is also a director of Tayco Realty. Before he joined the Company, Mr. McDonough served as

Director of Finance at Saint-Gobain Technical Fabrics, Inc. Prior to that time, he had been employed as Corporate Controller with International Motion Control, Inc. Both are manufacturing companies in the Western New York region.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely on a review of Forms 3 and 4 furnished to the Company during the 2010 fiscal year, as well as written representations from the Company's directors and executive officers that no Form 5 was required, all reporting persons filed the required forms on a timely basis, with the exception of a Form 4 filed on behalf of Mr. McDonough one business day after the filing deadline.

Code of Ethics

On August 23, 2003, the Company adopted a Code of Ethics (the "Code") which is a compilation of written standards reasonably designed to deter wrongdoing and promote honest and ethical conduct. Code requirements include, among others, the preparation of full, fair, timely and understandable disclosure in documents that the Company files with and submits to the SEC; compliance with governmental laws, rules and regulations; prompt internal reporting of violations to the Code; and accountability for adherence to the Code. There have been no amendments to the Code since its adoption.

EXECUTIVE COMPENSATION

The following table sets forth certain information concerning compensation of and stock options held by the Company's Chief Executive Officer, Executive Vice President and Chief Financial Officer.

Summary Compensation Table

Name and principal position	Year	Salary ($)	Bonus ($)	Stock awards ($)	Option awards ($)	Nonequity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Douglas P. Taylor Chairman, President, Chief Executive Officer	2010	$212,997	$100,194	None	$12,875	-	None	$30,850 [1]	$356,916
	2009	$210,242	None	None	$5,304	-	None	$33,350 [2]	$248,896
Richard G. Hill Executive Vice President	2010	$167,483	$78,810	None	$12,875	-	None	$30,850 [3]	$290,018
	2009	$166,083	None	None	$5,304	-	None	$33,350 [4]	$204,737
Mark V. McDonough Chief Financial Officer	2010	$119,474	$59,039	None	$5,450	-	None	$23,100	$207,093
	2009	$119,899	None	None	$7,756	-	None	$23,100	$150,755

For the fiscal year ended May 31, 2010, pursuant to an informal management policy, the Company paid bonuses to the executive officers named in the Summary Compensation Table above. Under the policy, the Compensation Committee may approve payment for performance based on an amount, calculated in the aggregate for all participants, of no more than 15% of net income of the Company for the fiscal year then ended.

Option awards include 5,000 options awarded to Mr. Taylor in both 2010 and 2009, 5,000 options awarded to Mr. Hill in both 2010 and 2009 and 4,000 options awarded to Mr. McDonough in both 2010 and 2009.

Assumptions made in the valuation of option awards are described in Note 14 to the Company's Consolidated Financial Statements included in the Company's Annual Report to Shareholders accompanying this Proxy Statement.

[1] Includes $7,500 for fees Mr. Taylor earned as a Director in fiscal year 2010.
[2] Includes $10,000 for fees Mr. Taylor earned as a Director in fiscal year 2009.
[3] Includes $7,500 for fees Mr. Hill earned as a Director in fiscal year 2010.
[4] Includes $10,000 for fees Mr. Hill earned as a Director in fiscal year 2009.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)**	**Option exercise price ($)**	**Option expiration date**	**Number of shares or units of stock that have not vested (#)**	**Market value of shares or units of stock that have not vested ($)**	**Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)**	**Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)**
Douglas P. Taylor	5,000 5,000 5,000 5,000 5,000	None	None	$5.885 $5.575 $5.205 $2.830 $6.350	4/18/16 4/18/17 4/18/18 4/18/19 4/18/20	None	None	None	None
Richard G. Hill	5,000 5,000 5,000 5,000 5,000	None	None	$5.885 $5.575 $5.205 $2.830 $6.350	4/18/16 4/18/17 4/18/18 4/18/19 4/18/20	None	None	None	None
Mark V. McDonough	2,000 2,000 4,000 4,000 4,000	None	None	$3.030 $6.170 $6.170 $6.040 $3.510	8/02/15 8/02/16 7/23/17 8/05/18 8/12/19	None	None	None	None

Equity Compensation Plan Information

The following table sets forth information regarding equity compensation plans of the Company as of May 31, 2010.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights *(a)*	Weighted-average exercise price of outstanding options, warrants and rights *(b)*	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column *(a)*) *(c)*
Equity compensation plans approved by security holders			
1998 Stock Option Plan	10,000	$4.50	-
2001 Stock Option Plan	14,250	$4.13	-
2005 Stock Option Plan	138,500	$5.09	-
2008 Stock Option Plan	31,000	$5.80	108,250
Equity compensation plans not approved by security holders			
2004Employee Stock Purchase Plan (1)	-	-	236,542
Total	193,750		344,792

(1) The Company's 2004 Employee Stock Purchase Plan (the "Employee Plan") permits eligible employees to purchase shares of the Company's common stock at fair market value through payroll deductions and without brokers' fees. Such purchases are without any contribution on the part of the Company. As of May 31, 2010, 236,542 shares were available for issuance.

Employment Agreements

As of December 1, 2000, Messrs. Taylor and Hill (each, an "Executive") entered into Employment Agreements with the Company (together, the "Agreements"). The Agreements, by their terms, expire on December 31, 2010, provided however, that, upon written notice given by either party to the other at least 30 days prior to the expiration date, this Agreement may be renewed by mutual agreement of the parties. Prior to any renewal of this Agreement by the Company, the Board of Directors of the Company, acting by a majority of its disinterested members, shall conduct a comprehensive evaluation and review of the performance of the Executive for purposes of determining whether to renew the Agreement. Under the Agreements, Messrs. Taylor and Hill are entitled to receive base salaries of not less than $174,000 per year and $138,000, respectively, together with such employee benefits and perquisites as were available to them immediately prior to December 1, 2000. Should the Executive voluntarily resign, the Company may, in the discretion of the Board, pay the Executive a severance payment which the Board may determine at the time. The Company retains the right to terminate each Executive for "Cause", without compensation. "Cause" is defined to include personal dishonesty, incompetence, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of law, or willful material breach of the Agreement. If the Company terminates either Executive without cause, or if either Executive resigns because the Company has failed to appoint him to the office he currently holds, or makes any material change in his functions, duties, or responsibilities, then the terminated Executive is entitled to a payment equal to the greater of the payments due him for the remaining term or 1.2 times the average of his three preceding years' cash compensation plus contributions to employee benefit plans. In the event of a "Change of Control," as defined in the Agreements, followed by termination of the Executive's employment, the Company has agreed to pay each Executive a sum equal to the greater of the payments due him for the remaining term, or 2.99 times the average of the five preceding years' cash compensation plus contributions to employee benefit plans. If an Executive voluntary terminates his employment when there has not been a Change in Control, then the Agreements provide that the Executive will not compete with the Company for a period of one year in any city, town or county where the Company's principal office is located.

Indemnification Insurance for Directors and Officers

On August 24, 2010, the Company purchased a director and officer indemnification insurance policy written by the Federal Insurance Company through Chubb. The renewal was for a one year period at an annual premium of $47,000. The policy provides indemnification benefits and the payment of expenses in actions instituted against any director or officer of the Company for claimed liability arising out of his conduct in such capacities. No payments or claims for indemnification or expenses have been made under any directors and officers' insurance policies purchased by the Company.

The Company has entered into Indemnity Agreements with its directors and certain officers. Although the New York Business Corporation Law (the "BCL") and the By-laws authorize the Company to indemnify directors and officers, they do not require the directors and officers to be indemnified during the pendency of litigation or specify the times at which the Company is obligated to reimburse an indemnified person for expenses. The Indemnity Agreements provide that the Company will advance litigation expenses to the person indemnified while the action is pending, upon the indemnified person's assurance (as required by the BCL) that the advance will be returned if the indemnified person is ultimately found not to be entitled to it.

OTHER PLANS

The Company adopted an Employee Stock Purchase Plan in 2004. As of September 24, 2010, there are 235,847 shares available for sale to qualified employees. The Company also provides a 401(k) plan.

TRANSACTIONS WITH MANAGEMENT AND OTHERS

None.

PROPOSAL 2 - RATIFICATION OF THE SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee engaged Lumsden & McCormick, LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2011.

Although the Audit Committee is not required to do so, it is submitting its expected selection for ratification to the Annual Meeting in order to ascertain the views of the shareholders. The Audit Committee will not be bound by the vote of the shareholders; however, if the proposed selection is not ratified, the Audit Committee will revisit its selection.

The Board of Directors recommends that the selection of Lumsden & McCormick, LLP as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2011 be ratified and urges you to vote "FOR" this Proposal.

A representative of Lumsden & McCormick, LLP will be present at the meeting, will be available to respond to appropriate questions and will have the opportunity to make a statement if he or she desires to do so.

The Audit Committee approves all professional services, including tax related services, provided to the Company by Lumsden & McCormick, LLP. With regard to "Audit and Audit-Related" services, the Committee reviews the annual audit plan and approves the estimated audit budget in advance. The aggregate fees billed by Lumsden & McCormick, LLP for professional services to the Company were $79,850 and $89,300 for the fiscal years ended May 31, 2010 and 2009.

Audit Fees

The aggregate fees billed by Lumsden & McCormick, LLP for professional services rendered in connection with the audit of the Company's annual financial statements, the review of the Company's quarterly financial statements and services that are normally provided in connection with statutory and regulatory filings or engagements were $70,400 and $72,700 for the fiscal years ended May 31, 2010 and 2009.

Audit-Related Fees

The aggregate fees billed by Lumsden & McCormick, LLP for professional assurance and related services reasonably related to the performance of the audit of the Company's financial statements, but not included under Audit Fees, were none and $7,600 for the fiscal years ended May 31, 2010 and 2009.

Tax Fees

The aggregate fees billed by Lumsden & McCormick, LLP for professional services for tax compliance, tax advice and tax planning were $9,450 and $9,000 for the fiscal years ended May 31, 2010 and 2009.

All Other Fees

None.

Pre-approval Policies and Procedures

The Audit Committee has adopted a policy that requires advance approval of all audit, audit-related, tax services, and other services performed by the independent auditor. The policy provides for pre-approval by the Audit Committee of specifically defined audit and non-audit services. Unless the specific service has been previously pre-approved with respect to that year, the Audit Committee must approve the permitted service before the independent auditor is engaged to perform it.

SHAREHOLDER COMMUNICATIONS AND PROPOSALS

Although the Board of Directors does not have a formal procedure for shareholders to send communications to the Board of Directors, a shareholder may communicate with the Company at its website at www.taylordevices.com/Investors.htm. The Company will relay communications to specified individual directors if an express request to do so is included in the shareholder communication.

Procedures for a nomination by a shareholder for election as a director are described under "*Nominees by Shareholders*" on page 11 of this Proxy Statement.

Proposals of shareholders intended to be presented to the year 2011 Annual Meeting of Shareholders must be received by the Secretary of the Company prior to May 31, 2011 for inclusion in the Proxy Statement and form of proxy. Shareholders wishing to propose a matter for consideration at the 2010 Annual Meeting of Shareholders must follow certain specified advance notice procedures set forth in the Company's By Laws, a copy of which is available upon written request to: Reginald B. Newman II, Secretary, Taylor Devices, Inc., 90 Taylor Drive, P.O. Box 748, North Tonawanda, New York 14120 0748.

The By Laws designate procedures for the calling and conduct of a meeting of shareholders, including, but not limited to, specifying who may call the meeting, what business may be conducted, the procedures with respect to the making of shareholder proposals, and the procedures and requirements for shareholder nomination of directors.

The Company will provide without charge, on the written request of any person from whom a proxy is solicited, a copy of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2010. A written request should be addressed to Kathleen A. Nicosia, Shareholder Relations Manager, 90 Taylor Drive, North Tonawanda, New York 14120-0748.

FINANCIAL STATEMENTS

The financial statements of the Company are contained in the Company's 2010 Annual Report which accompanies this Proxy Statement.

OTHER MATTERS

Voting

Under the Business Corporation Law of New York ("BCL") and the Company's By laws, the presence, in person or by proxy, of a majority of the outstanding common shares is necessary to constitute a quorum of the shareholders to take action at the Annual Meeting. The shares which are present or represented by a proxy will be counted for quorum purposes regardless of whether or not a broker with discretionary authority fails to exercise discretionary voting authority with respect to any particular matter.

Directors standing for election must be elected by a plurality of votes cast at the Annual Meeting, and if elected, serve in the class of Directors to which they are elected. Any other action properly brought before the meeting, including ratification of Lumsden & McCormick, LLP as the Company's independent registered public accounting firm for the fiscal year ending May 31, 2011, requires a majority of the votes cast at the meeting by shareholders entitled to vote.

For voting purposes, all proxies marked "for", "against", "abstain", or "withhold authority" will be counted in accordance with such instruction as to each item. In no event will an abstention be counted as a vote cast. No broker non votes will be counted for any item.

Expenses

The expenses of this solicitation, including the costs of preparing and mailing this Proxy Statement and accompanying material, will be borne by the Company. The Company has retained the services of Regan & Associates, Inc. to assist in the solicitation of proxies under a contract providing for payment of $5,250, plus reimbursement of reasonable out of pocket expenses. In addition to solicitations by mail, Regan & Associates, Inc. and regular employees of the Company may solicit proxies in person, by mail or by telephone, but no employee of

the Company will receive any compensation for solicitation activities in addition to his or her regular compensation. Expenses may also include the charges and expenses of brokerage houses, nominees, custodians and fiduciaries for forwarding proxies and proxy materials to beneficial owners of shares.

The Board of Directors knows of no other matters to be voted upon at the Annual Meeting. If any other matters properly come before the Annual Meeting, it is the intention of the persons named in the enclosed form of proxy to vote on such matters in accordance with their judgment.

By Order of the Board of Directors

/s/ Reginald B. Newman II
Reginald B. Newman II
Secretary

Dated: September 28, 2010
North Tonawanda, New York

TAYLOR DEVICES, INC.
PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD NOVEMBER 5, 2010 AT 11:00 A.M.
BUFFALO MARRIOTT NIAGARA, 1340 MILLERSPORT HIGHWAY, AMHERST, NEW YORK

The Board of Directors recommends that you vote **FOR:**

1. Election Of Directors
   Two Directors To Be Elected To Class 3, A Three Year Term

   Douglas P. Taylor
   [ ] FOR nominee
   [ ] Withhold authority for nominee

   Randall L. Clark
   [ ] FOR nominee
   [ ] Withhold authority for nominee

2. Ratify the selection of Lumsden & McCormick, LLP as the Independent Registered Public Accounting Firm of the Company for fiscal year 2011.
   [ ] FOR Independent Auditors
   [ ] Against
   [ ] Abstain

3. In their discretion, the proxies are authorized to vote on any other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDER MEETING TO BE HELD ON NOVEMBER 5, 2010

The proxy statement and the annual report to shareholders are available at www.taylordevices.com/investors.html

TAYLOR DEVICES, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Douglas P. Taylor and Reginald B. Newman II, and each of them, with full power of substitution as proxies for the undersigned at the Annual Meeting of Shareholders of TAYLOR DEVICES, INC. to be held at the Buffalo Marriott Niagara, 1340 Millersport Highway, Amherst, New York at 11:00 A.M. on November 5, 2010, and at any adjournment thereof, to vote and act with respect to all Common Shares of the Company which the undersigned would be entitled to vote, with all the power the undersigned would possess if present in person.

Please mark, sign, date and return this proxy. When properly completed, it will be voted exactly as you instruct. If you sign and return this proxy, without otherwise completing it, your shares will be voted FOR Items 1 and 2 and in the discretion of the proxies on any other business that may properly come before the meeting or any adjournment(s) or postponement(s) thereof.

[ ] Please check this box if you plan to attend the Annual Meeting

Note: Please sign exactly as your name(s) appears on this card. Joint owners should each sign individually. Corporate proxies should be signed in full corporate name by an authorized officer. Fiduciaries should give full titles.

Date

Signature

Date

Signature of joint owner, if any

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X

Gregory V. Varner
X

X

X

X

X

X

X

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

Director	Audit	Nominating and Corporate Governance	Compensation and Human Resource
David J. Maness	X[o]	X[o]	X[c]
Dr. Jeffrey J. Barnes		X	X
Jill Bourland	X		X
Jae A. Evans			
G. Charles Hubscher		X	X
Thomas L. Kleinhardt	X		X
Joseph LaFramboise			X
W. Joseph Manifold	X[c]		X
W. Michael McGuire	X	X[c]	X
Sarah R. Opperman	X		X
Jerome E. Schwind			
Gregory V. Varner			X

C — Chairperson
O — Ex-Officio

Director Nominees for Terms Ending in 2022

Thomas L. Kleinhardt (age 64) has been a director of the Bank since 1998 and of Isabella Bank Corporation since 2010. Mr. Kleinhardt is President of McGuire Chevrolet, active in the Clare Kiwanis Club, and the former coach of the girls Varsity Basketball team for both Farwell High School and Clare High School.

Joseph LaFramboise (age 69) has been a director of the Bank since 2007 and of Isabella Bank Corporation since 2010. He is a retired Sales and Marketing Executive of Ford Motor Company. Mr. LaFramboise is an Ambassador of Eagle Village in Evart, Michigan.

Sarah R. Opperman (age 59) has been a director of the Bank and Isabella Bank Corporation since 2012. Ms. Opperman previously was employed for 28 years by The Dow Chemical Company, where she held leadership roles in public and government affairs. She served as interim President and Chief Executive Officer of the Midland Business Alliance from March 1 to December 1, 2018, and continued as an employee until December 31, 2018. Ms. Opperman is a member of the Central Michigan University Advancement Board. She also is Chair of the MidMichigan Health Foundation and serves on the Executive Committee of the United Way of Midland County Board of Directors.

Gregory V. Varner (age 64) has been a director of the Bank and Isabella Bank Corporation since 2015. Mr. Varner is the Research Director for the Michigan Bean Commission. He received a Bachelor of Science in Agricultural Education and a Master of Science in Crop Science from Michigan State University.

Current Directors with Terms Ending in 2020

Dr. Jeffrey J. Barnes (age 56) has been a director of the Bank since 2007 and of Isabella Bank Corporation since 2010. Dr. Barnes is a physician and shareholder in L.O. Eye Care P.C. He is a former member of the Central Michigan Community Hospital Board of Directors.

G. Charles Hubscher (age 65) has been a director of the Bank since 2004 and of Isabella Bank Corporation since 2010. Mr. Hubscher is President of Hubscher and Son, Inc., a sand and gravel producer. He is a former director of the National Stone, Sand 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 the Zoning Board of Appeals for Deerfield Township.

David J. Maness (age 65) has been a director of the Bank since 2003 and of Isabella Bank Corporation since 2004. Mr. Maness has served as Chairman of the Board for the Corporation and the Bank since 2010. He is President of Maness Petroleum, a geological and geophysical consulting services company. Mr. Maness is currently serving as a director for the Michigan Oil & Gas Association, and he previously served on the Mt. Pleasant Public Schools Board of Education.

W. Joseph Manifold (age 67) has been a director of Isabella Bank Corporation since 2003 and of the Bank since 2010. Mr. Manifold retired as CFO of Federal Broach Holdings LLC, a holding company which operates several manufacturing companies. Previously, he was a senior manager 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 served on the Isabella Community Credit Union Board and was President of the Mt. Pleasant Public Schools Board of Education.

Current Directors with Terms Ending in 2021

Jill Bourland (age 48) was appointed to the Board of Directors of Isabella Bank Corporation and the Bank on August 24, 2017. Ms. Bourland is CEO and Partner of Blystone & Bailey CPAs P.C. Ms. Bourland is a graduate of Central Michigan University, a Certified Public Accountant, and a Housing Credit Certified Professional. She has over 25 years of audit, tax and accounting experience with a concentration in small business and affordable housing sectors. She currently serves as President of the Mt. Pleasant Area Community Foundation where she previously served as Treasurer and Chair of the Finance Committee. She is involved with the Gratiot-Isabella Technical Education Center Accounting/ Business Advisory Committee. She is also a member of the American Institute of Certified Public Accountants, Michigan Association of Certified Public Accountants and Home Builders Association.

Jae A. Evans (age 62) was appointed a director of Isabella Bank Corporation and the Bank and elected Chief Executive Officer of Isabella Bank Corporation effective January 1, 2014 and Chief Executive Officer of the Bank effective June 27, 2018. Mr. Evans has been employed by the Corporation since 2008 and served as Chief Operations Officer of the Bank from June 2011 to December 31, 2013 and President of the Greenville Division of the Bank from January 1, 2008 to June 2011. He is a graduate of Central Michigan University and has over 40 years of banking experience. Mr. Evans currently serves as a board member for The Community Bankers of Michigan, McLaren Central Michigan Hospital, and the Central Michigan University Advancement Board. Mr. Evans is also past Chair of the Eightcap, Inc. Governing Board, past Vice Chair of the Carson City Hospital, was president of the Greenville Rotary Club, and past Chair of The Community Bankers of Michigan.

W. Michael McGuire (age 69) has been a director of Isabella Bank Corporation since 2007 and of the Bank since January 1, 2010. Mr. McGuire, an attorney, retired in August 2013 as 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.

Jerome E. Schwind (age 52) was appointed a director of Isabella Bank Corporation on August 24, 2017 and was appointed a director of the Bank on May 25, 2017. Mr. Schwind is President of the Bank and has been employed by the Bank since 1999. He has served in various roles at the Bank including Executive Vice President and Chief Operations Officer. Mr. Schwind received his undergraduate degree from Ferris State University and his MBA from Lake Superior State University. He is also a graduate of the Dale Carnegie Executive Development program, the Graduate School of Banking at the University of Wisconsin-Madison, and the Rollie Denison Leadership Institute. He currently serves as the Chair for the Middle Michigan Development Corporation, is a member of the Finance Advisory Board for the Ferris State University College of Business, the Michigan Bankers Association Grassroots Advocacy Committee, the Perry School of Banking Board, the Michigan Bankers Association Board, and also the Great Lakes Bay Alliance Board.

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

Other Named Executive Officers

Neil M. McDonnell (age 55), Chief Financial Officer of Isabella Bank Corporation, joined Isabella Bank Corporation on January 30, 2018. David J. Reetz (age 58), Chief Lending Officer of the Bank, has been employed by the Bank since 1987. Rhonda S. Tudor (age 54), Vice President and Controller of the Bank, has been employed by the Bank since 2015. Peggy L. Wheeler (age 59), Chief Operations Officer of the Bank, has been employed by the Bank since 1977.

All officers serve at the pleasure of the Board.

Corporate Governance
Director Independence
We have adopted the director independence standards as defined under the NASDAQ listing requirements. We have determined that Dr. Jeffrey J. Barnes, Jill Bourland, G. Charles Hubscher, Thomas L. Kleinhardt, Joseph LaFramboise, David J. Maness, W. Joseph Manifold, W. Michael McGuire, Sarah R. Opperman, and Gregory V. Varner are independent directors. Jae A. Evans is not independent as he is employed as President and CEO of Isabella Bank Corporation. Jerome E. Schwind is not independent as he is employed as President of Isabella Bank.
Board Leadership Structure and Risk Oversight
Our Governance Policy provides that only directors who are deemed to be independent as set forth by the NASDAQ listing requirements and SEC rules are eligible to hold the office of chairperson. Additionally, the chairpersons of Board established committees must also be independent directors. It is our belief that having a separate chairperson and CEO best serves the interest of the shareholders. The Board elects its chairperson at the first Board meeting following the Annual Meeting. Independent members of the Board meet without inside directors at least twice per year.
Management is responsible for our 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, and governance. The Isabella Bank Board of Directors is responsible for overseeing credit, investment, information technology, interest rate, and trust risks. The chairpersons of the respective boards or committees report on their activities on a regular basis.
Our Audit Committee is responsible for overseeing the integrity of our consolidated financial statements, the independent auditors' qualifications and independence, the performance of our internal audit function and those of independent auditors, our system of internal controls, our financial reporting and system of disclosure controls, and our compliance with legal and regulatory requirements and with our Code of Business Conduct and Ethics.
Committees of the Board of Directors and Meeting Attendance
The Board met 15 times during 2018. No current member of our Board attended less than 75% of the aggregate meetings of the Board and all committees on which such director served during 2018. 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. Information regarding the functions performed by the Audit Committee, its membership, and the number of meetings held during the year, is set forth in the "Audit Committee Report" included elsewhere in this Proxy Statement. The Audit Committee is governed by a written charter approved by the Board, which is available on the Bank's website: www.isabellabank.com.
In accordance with the provisions of the Sarbanes-Oxley Act of 2002, directors Bourland, Manifold and McGuire meet the requirements of Audit Committee Financial Expert and have been so designated. The Audit Committee also consists of directors Kleinhardt, Maness (ex-officio), and Opperman.
Nominating and Corporate Governance Committee
We have a standing Nominating and Corporate Governance Committee consisting of independent directors Barnes, Hubscher, Maness (ex-officio), and McGuire. The Nominating and Corporate Governance Committee held two meetings in 2018, with all committee members attending each meeting for which they were a member. The Board has approved a Nominating and Corporate Governance Committee Charter which is available on the Bank's website: www.isabellabank.com.
The Nominating and Corporate Governance Committee is responsible for evaluating and recommending individuals for nomination to the Board for approval. This 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. This Committee considers diversity in identifying members with respect to our geographical markets served 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., Mt. Pleasant, Michigan 48858 and include the shareholder's name, address and number of shares of the

Corporation owned by the

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shareholder. The recommendation should also include the name, age, address and qualifications of the candidate. Recommendations for the 2020 Annual Meeting of Shareholders should be delivered no later than November 26, 2019. The Nominating and Corporate Governance Committee evaluates all potential director nominees in the same manner, whether the nominations are received from a shareholder, or otherwise.

Compensation and Human Resource Committee

The Compensation and Human Resource Committee is responsible for reviewing and recommending to the Board the compensation of the Chief Executive Officer and other executive officers, benefit plans, and the overall percentage increase in salaries. This Committee consists of independent directors Barnes, Bourland, Hubscher, Kleinhardt, LaFramboise, Maness, Manifold, McGuire, Opperman, and Varner. The Compensation and Human Resource Committee held two meetings during 2018. This Committee is governed by a written charter approved by the Board that is available on the Bank's website: www.isabellabank.com.

Communications with the Board

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

Code of Ethics

Our Code of Business Conduct and Ethics, which is applicable to the CEO and CFO, is available on the Bank's website: www.isabellabank.com.

Audit Committee Report

The Audit Committee oversees the financial reporting process on behalf of the Board. The 2018 Audit Committee consisted of directors Bourland, Kleinhardt, Maness (ex-officio), Manifold, McGuire, and Opperman.

The Audit Committee is responsible for pre-approving all auditing services and permitted non-audit services by our independent auditors, or any other auditing or accounting firm, if those fees are reasonably expected to exceed 5.0% of the current year agreed upon fee for independent audit services. 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.

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 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 our internal control over financial reporting as of December 31, 2018.

The Audit Committee reviewed with our 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 acceptability of our 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) ("PCAOB"), including those described in Auditing Standard No. 1301, "Communications 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 auditors required by PCAOB Rule 3526, "Communication with Audit Committees Concerning Independence", as may be modified or supplemented, and has discussed this issue with the independent auditors.

The Audit Committee discussed with our internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and external independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of our internal controls, and the overall quality of our financial reporting process. The Audit Committee held five meetings during 2018.

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, 2018 for filing with the Securities and Exchange Commission.

The Audit Committee has appointed Rehmann Robson LLC as the independent auditors for the 2019 audit.

Respectfully submitted,

W. Joseph Manifold, Audit Committee Chairperson
Jill Bourland
Thomas L. Kleinhardt
David J. Maness (ex-officio)
W. Michael McGuire
Sarah R. Opperman

Compensation Discussion and Analysis
The Compensation and Human Resource Committee is responsible for reviewing and recommending to the Board the compensation and benefits for the President and CEO. This Committee also evaluates and approves our executive officer and senior management compensation plans, policies, and programs. The President and CEO is responsible for determining the compensation and benefits for the CFO and named executive officers based on their annual performance reviews and the officers' years of service along with competitive market data.
Compensation Objectives
The Compensation and Human Resource Committee considers growth in loans and in market deposits (incorporating safety and soundness objectives), the level of net operating expenses, and earnings per share to be the primary ratios in measuring financial performance. Our 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. We believe that the performance of executive officers in managing the 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 this Committee are to effectively balance salaries and potential compensation to an officer’s individual management responsibilities and encourage each of them to realize their potential for future contributions. The objectives are designed to attract and retain high performing executive officers who will provide leadership while attaining earnings and performance goals.
What the Compensation Programs are Designed to Reward
Our compensation programs are designed to reward dedicated and conscientious employment, loyalty in terms of continued employment, attainment of job related goals, and overall growth and profitability. In measuring an executive officer’s contributions, the Compensation and Human Resource Committee considers numerous factors including, among other things, our growth in loans and in market deposits, management of the level of net operating expenses, and increase in earnings per share. In rewarding loyalty and long-term service, we provide competitive retirement benefits.
Review of Risks Associated with Compensation Plans
Based on an analysis conducted by management and reviewed by the Compensation and Human Resource Committee, we do not believe that compensation programs for employees are reasonably likely to have a material short or long term adverse effect on our operating results.
Use of Consultants
In 2018, the Compensation and Human Resource Committee directly engaged the services of Blanchard Consulting Group, an independent compensation consulting firm, to assist with a total compensation review for the President and CEO, CFO, and Bank President. Blanchard Consulting Group does not perform any additional services for us or any members of senior management. In addition, Blanchard Consulting Group does not have any other personal or business relationships with any Board members or officers.
Elements of Compensation
Our executive compensation program has consisted primarily of base salary and benefits, annual performance incentives, other benefits and perquisites, and participation in our retirement plans.
How Elements Fit into Overall Compensation Objectives
Individual elements of our compensation objectives are structured to reward strong financial performance, continued service, and to incentivize our leaders to excel in the future. We continually review our compensation objectives to ensure that they are sufficient to attract and retain exceptional officers.
Why Each of the Elements of Compensation is Chosen and How We Determine Amounts for Each Element
Base Salaries, which include director fees for certain executive officers, are set to provide competitive levels of compensation to attract and retain officers with strong leadership skills. We also believe it is best to pay a sufficient base salary because we believe 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. Competitive base salary encourages management to operate in a safe and sound manner even when incentive goals may prove unattainable.
The Compensation and Human Resource Committee’s approach to determining the annual base salary of executive officers is to offer competitive salaries in comparison with other similar financial institutions. In 2018, this Committee

utilized an

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independent compensation consultant, Blanchard Consulting Group. The independent compensation consultant established a benchmark peer group of 25 midwest financial institutions in non-urban areas with comparable average assets size ($1.2 billion—$3.4 billion), number of branch locations, return on average assets, and nonperforming assets. 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 Compensation and Human Resource Committee targeted total compensation for the President and CEO using ranges obtained from the independent compensation consultant as well as other published surveys and resources. Compensation for the CFO and other named executive officers was based on the ranges provided by the other surveys and resources mentioned above.

Annual Performance Incentives are used to reward executive officers based on our overall financial performance. This element of the compensation program is included in the overall compensation in order to reward employees above and beyond their base salaries when our performance and profitability exceed established annual targets. The inclusion of this incentive encourages management to be diligent in managing to achieve specific financial goals without incurring inordinate risks. Annual performance incentives paid in 2018 were determined by reference to four performance measures that related to services performed in 2017. The maximum cash award that may be granted to each eligible employee equals 10% of the employee's base salary (the "Maximum Award").

The payment of 35% of the 10% Maximum Award ("personal performance goals") is based on the achievement of goals set for each individual. The Compensation and Human Resource Committee is responsible for establishing personal goals and measuring the achievement of personal goals for the President and CEO. This Committee also reviews the performance of the President and CEO. The President and CEO is responsible for establishing personal goals and measuring the achievement of these goals for the CFO and other named executive officers.

The Compensation and Human Resource Committee uses the following quantitative and qualitative factors as measures of corporate performance in determining annual cash bonus amounts to be paid:

- Development and implementation of strategic initiatives;
- Results of actual annual operating performance as compared to budget;
- Community and industry involvement;
- Results of audit and regulatory exams; and
- Other strategic goals as established by the Board.

Each of the executive officers who were eligible to participate in 2017 accomplished their personal performance goals and were accordingly paid 35% of the 2017 Maximum Award in 2018.

The payment of the remaining 65% of the 10% Maximum Award ("corporate performance goals") was conditioned on the achievement of targets in the following four categories:

- Earnings per share (weighted 40%);
- Net operating expenses to average assets (weighted 10%);
- In market deposit average balance growth (weighted 25%); and
- Loan average balance growth (weighted 25%).

Each of the executive officers who were eligible to participate in 2017 were paid 23.75% of the 65% of the 2017 Maximum Award in 2018. The following chart provides the 2017 target for each corporate performance goal and the performance attained for each target.

Target	2017 Targets 25.00%	50.00%	75.00%	100.00%	2017 Performance (1)	Target % Obtained
Earnings per share	$1.79	$1.82	$1.84	$1.87	$ 1.69	0.00 %
Net operating expenses to average assets	1.68 %	1.66 %	1.64 %	1.62 %	1.66 %	50.00 %
In market deposit average balance growth	2.72 %	2.97 %	3.22 %	3.47 %	3.40 %	75.00 %
Loan average balance growth	15.85 %	16.10 %	16.35 %	16.60 %	12.84 %	0.00 %

(1) Adjusted for incentive calculation measures.

We have a stock award incentive plan which is an equity-based bonus plan with no options. Under the plan, we may award stock bonuses to the President and CEO, CFO and Bank President. The plan authorizes the issuance of vested stock to eligible employees worth up to 10% of the employee's annualized base wages, on a calendar year basis. The plan imposes several conditions on the issuance of stock awards and therefore, the stock awards are restricted. The stock bonuses awarded in 2018

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were determined by reference to the same four performance measures used for the annual performance incentives that related to 2017 results and also the achievement of personal goals.

Benefits and Perquisites. Executive officers are eligible for all of the benefits made available to full-time employees (such as health insurance, group term life insurance and disability insurance) on the same basis as other full-time employees and are subject to the same paid time off and other employee policies.

We also provide our executive officers with certain additional perquisites, which we believe are appropriate in order to attract and retain the proper quality of talent for these positions and to recognize that similar executive perquisites are commonly offered by comparable financial institutions. We maintain a plan for qualified officers to provide death benefits to each participant which was amended in 2015 to modify certain participants' benefits and to update certain plan provisions. Insurance policies, designed primarily to fund death benefits, have been purchased on the life of each participant with the Bank as the sole owner and beneficiary of the policies. We believe that perquisites provided to our executive officers in 2018 represented a reasonable percentage of each executive’s total compensation package and are consistent, in the aggregate, with perquisites provided to executive officers of comparable financial institutions. A description and the cost of these perquisites are included in footnote 2 to the “Summary Compensation Table,” the table outlining the change in pension value, and the “Nonqualified Deferred Compensation Table” within the “Executive Officers” section.

Retirement Plans. Our retirement plans are designed to assist executives in providing themselves with a financially secure retirement. The retirement plans include a 401(k) plan, a frozen defined benefit pension plan, a frozen non-leveraged employee stock ownership plan (“ESOP”), a retirement bonus plan, a supplemental executive retirement plan, and a stock award incentive plan.

We provide 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. The plan provides a matching safe harbor contribution for all eligible employees equal to 100% of the first 5.0% of an employee's compensation contributed to the Plan during the year. Employees are 100% vested in the safe harbor matching contributions.

Our defined benefit pension plan was curtailed effective March 1, 2007 and the current participants’ accrued benefits were frozen as of that date. Participation in the plan was limited to eligible employees as of December 31, 2006.

Our non-leveraged ESOP was frozen effective December 31, 2006 to new participants. Contributions to the plan were discretionary and approved by the Board. On December 21, 2016, the Board approved the termination of the ESOP effective December 31, 2016. Actual dissolution of the ESOP occurred in mid-2018.

The retirement bonus plan is a nonqualified plan of deferred compensation benefits effective January 1, 2007. While the plan allows for new participants, there have been no new participants since the plan became effective and no new participants are anticipated in the future. Benefit amounts are determined pursuant to the payment schedule adopted at the sole and exclusive discretion of the Board.

In 2015, we adopted the supplemental executive retirement plan, a nonqualified deferred compensation plan, authorizing annual and discretionary credits to a participant's plan account. Credits are pursuant to a participant's agreement which sets forth the amount and timing of any annual credits and the vesting, payment, “clawback” and other terms to which the credits are subject.

Compensation and Human Resource Committee Report

The Compensation and Human Resource Committee Report 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 Exchange Act, except to the extent the Corporation specifically incorporates this Report by reference therein.

The Compensation and Human Resource Committee, which includes all of 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 that the Compensation Discussion and Analysis be included in this Proxy Statement and the Annual Report on Form 10-K.

Submitted by the Compensation and Human Resource Committee of the Board*:

David J. Maness, Chairperson
Dr. Jeffrey J. Barnes
Jill Bourland
G. Charles Hubscher
Thomas L. Kleinhardt
Joseph LaFramboise
W. Joseph Manifold
W. Michael McGuire
Sarah R. Opperman
Gregory V. Varner

* Richard J. Barz retired from the Isabella Bank Corporation Board of Directors and all other committees on December 19, 2018. Mr. Barz attended the Compensation and Human Resource Committee meetings held during 2018 which included establishment of the compensation of the President and CEO and review of the President and CEO's performance.

Executive Officers

Executive officers are compensated in accordance with their employment with the applicable entity. The following table shows information on compensation earned in each of the last three fiscal years ended December 31, 2018, for the CEO, CFO, and our three other most highly compensated executive officers.

Summary Compensation Table

Name and principal position	Year	Salary ($)(1)(5)	Bonus ($)	Stock Awards ($)	Change in pension value and nonqualified deferred compensation earnings ($)(6)	All other compensation ($)(2)	Total ($)
Jae A. Evans	2018	$429,500	$21,803	$21,803	$ —	$ 53,219	$526,325
President and CEO	2017	402,800	27,396	27,396	—	45,598	503,190
Isabella Bank Corporation	2016	364,473	21,225	21,225	—	48,015	454,938
Neil M. McDonnell (3)	2018	$225,000	$—	$—	$ —	$ 54,390	$279,390
CFO							
Isabella Bank Corporation							
Jerome E. Schwind	2018	$317,725	$14,442	$14,442	$ (5,000)	$ 43,721	$385,330
President	2017	293,417	19,515	19,515	7,000	37,081	376,528
Isabella Bank	2016	278,164	14,943	—	3,000	31,466	327,573
David J. Reetz	2018	$169,920	$8,148	$—	$ (19,000)	$ 26,469	$185,537
Chief Lending Officer	2017	164,971	13,023	—	28,000	26,883	232,877
Isabella Bank	2016	160,166	10,642	—	41,777	25,497	238,082
Peggy L. Wheeler	2018	$155,713	$8,265	$—	$ (15,000)	$ 15,123	$164,101
Chief Operations Officer	2017	142,160	11,223	—	24,000	14,172	191,555
Isabella Bank	2016	138,020	9,481	—	29,518	14,635	191,654
Rhonda S. Tudor (4)	2018	$126,208	$6,679	$—	$ —	$ 9,852	$142,739
Vice President and Controller (4)	2017	122,235	9,650	—	—	6,649	138,534
Isabella Bank							

(1) Salary amounts are paid on a bi-weekly basis which typically consists of 26 regular pay cycles during the calendar year.

(2) For all named executives all other compensation includes 401(k) matching contributions. For Jae A. Evans, Jerome E. Schwind, David J. Reetz, and Peggy L. Wheeler, this also includes club dues and auto allowance. For Neil M. McDonnell, this also includes auto allowance.

(3) Not a named executive officer prior to 2018. Neil M. McDonnell joined the Corporation on January 31, 2018.

(4) Not a named executive officer prior to 2017. Rhonda S. Tudor served as Interim Chief Financial Officer from March 31, 2017 to January 30, 2018.

(5) Executive officer salary includes compensation voluntarily deferred under our 401(k) plan. Director and advisory board fees are also included and are displayed in the following table for each the last three years ended December 31, 2018:

Name	Director and advisory board fees ($) 2018	2017	2016
Jae A. Evans	$29,500	$27,800	$27,550

Neil M. McDonnell	—	—	—
Jerome E. Schwind	29,500	37,098	23,500
David J. Reetz	—	—	—
Peggy L. Wheeler	—	—	—
Rhonda S. Tudor	—	—	—

(6) Includes the aggregate non-cash change in the actuarial present value of the noted executive's accumulated benefit under the Isabella Bank Corporation Pension Plan.

Pay Ratio

In accordance with a mandate of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Securities and Exchange Commission has adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of the principal executive officer ("PEO"). The Corporation's PEO is Jae A. Evans.

	2018
PEO total annual compensation	$526,325
Median Employee total annual compensation	$36,167
Ratio of PEO to Median Employee total annual compensation	14.6: 1

We determined the median of the annual total compensation of all employees, excluding the PEO. Employees and annual total compensation were based on employment status as of December 31, 2018. We considered all employees: full-time, part-time, seasonal and temporary employees. For full-time and part-time employees not employed for the full calendar year, we elected to annualize their compensation to accurately determine the median of annual total compensation.

Total compensation was calculated consistent with calculation to determine Jae A. Evans' annual total compensation, as displayed in the Summary Compensation Table on the previous page. Total compensation is largely derived from payroll and tax records and actuarial values related to our benefit plans. We do not adjust for cost-of-living expenses or any other similar compensation adjustments.

Grants of Plan-Based Awards Table

The following table provides information on grants of plan-based awards under the stock award incentive plan during 2018:

Name	Grant date	Number of shares of stock awarded	Grant date fair value of stock awards (1)
Jae A. Evans	4/2/2018	520	$13,910
Jerome E. Schwind	4/2/2018	377	10,085

(1) The fair value of stock awards do not reflect amounts in the "Stock Awards" column in the Summary Compensation Table due to applicable payroll taxes withheld from the executive officers.

Option Exercises and Stock Vested Table

The following table provides information on vested shares pursuant to the stock award incentive plan as of December 31, 2018:

Name	Number of shares acquired on vesting	Value Realized on Vesting
Jae A. Evans	1,588	$43,420
Jerome E. Schwind	828	22,618

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Pension Benefits Table

The following table indicates the present value of accumulated benefits as of December 31, 2018 for each named executive officer in the summary compensation table.

Name	Plan name	Number of years of vesting service as of 01/01/18	Present value of accumulated benefit ($)	Payments during last fiscal year
Jae A. Evans	Isabella Bank Corporation Pension Plan	N/A	$ —	$ —
	Isabella Bank Corporation Retirement Bonus Plan	N/A	—	—
Neil M. McDonnell	Isabella Bank Corporation Pension Plan	N/A	—	—
	Isabella Bank Corporation Retirement Bonus Plan	N/A	—	—
Jerome E. Schwind	Isabella Bank Corporation Pension Plan	20	51,000	—
	Isabella Bank Corporation Retirement Bonus Plan	N/A	—	—
David J. Reetz	Isabella Bank Corporation Pension Plan	32	234,000	—
	Isabella Bank Corporation Retirement Bonus Plan	N/A	296,565	—
Peggy L. Wheeler	Isabella Bank Corporation Pension Plan	40	203,000	—
	Isabella Bank Corporation Retirement Bonus Plan	N/A	201,121	—
Rhonda S. Tudor	Isabella Bank Corporation Pension Plan	N/A	—	—
	Isabella Bank Corporation Retirement Bonus Plan	N/A	—	—

Defined benefit pension plan. We sponsor the Isabella Bank Corporation Pension Plan, a frozen defined benefit pension plan. The curtailment, which was effective March 1, 2007, froze the current participant's accrued benefits as of that date and limited participation in the plan to eligible employees as of December 31, 2006. Due to the curtailment of the plan, the number of years of credited service was frozen. As such, the years of credited service for the plan may differ from the participant's actual years of service.

Annual contributions are made to the plan as required by accepted actuarial principles, applicable federal tax laws, and to pay expenses related to operating and maintaining the plan. The amount of contributions on behalf of any one participant cannot be separately or individually computed.

Pension plan benefits are based on years of service and the employees' five highest consecutive years of compensation out of the last ten years of service, through December 31, 2006.

A participant may earn a benefit for up to 35 years of accredited service. Earned benefits are 100% vested after five years of service. Benefit payments normally start when a participant reaches age 65. A participant with more than five years of service may elect to take early retirement benefits anytime after reaching age 55. Benefits payable under early retirement are reduced actuarially for each month prior to age 65 in which benefits begin.

David J. Reetz and Peggy L. Wheeler are eligible for early retirement under the plan. Under the provisions of the plan, participants are eligible for early retirement after reaching the age of 55 with at least 5 years of service. The early retirement benefit amount is the accrued benefit payable at normal retirement date reduced by 5/9% for each of the first 60 months and 5/18% for each of the next 60 months that the benefit commencement date precedes the normal retirement date.

Retirement bonus plan. We sponsor the Isabella Bank Corporation Retirement Bonus Plan. This nonqualified plan is intended to provide eligible employees with additional retirement benefits. To be eligible, the employee needed to be an employee on January 1, 2007, and be a participant in our frozen Executive Supplemental Income Agreement.

Participants must also be an officer with at least 10 years of service as of December 31, 2006. We have sole and exclusive discretion to add new participants to the plan by authorizing such participation pursuant to action of the Board.

An initial amount was credited for each eligible employee as of January 1, 2007. Subsequent amounts have been credited on each allocation date thereafter as defined in the plan. The amount of the initial allocation and the annual allocation shall be determined pursuant to the payment schedule adopted at our sole and exclusive discretion, as set forth in the plan.

David J. Reetz and Peggy L. Wheeler are eligible for early retirement under the plan. Under the provisions of the plan, participants are eligible for early retirement upon attaining 55 years of age. There is no difference between the calculation of benefits payable upon early retirement and normal retirement.

Nonqualified Deferred Compensation Table

The following table shows information concerning non-qualified deferred compensation for 2018.

Name	Plan Name	Executive contributions in 2018 ($) (1)	Registrant contributions in 2018 ($) (2)	Aggregate earnings in 2018 ($) (3)	Aggregate balance at December 31, 2018 ($) (4)
Jae A. Evans	Directors Plan	$ —	$ —	$ 2,227	$ 49,563
	SERP	—	105,000	7,166	440,874
Neil M. McDonnell	SERP	—	10,000	—	10,000
Jerome E. Schwind	Directors Plan	29,500	—	3,340	84,609
	SERP	—	14,000	488	36,892
David J. Reetz	Retirement Bonus Plan	—	28,275	5,951	296,565
Peggy L. Wheeler	Retirement Bonus Plan	—	17,959	4,052	201,121

(1) The amounts shown in this column are the amounts deferred by the officers under the Deferred Compensation Plan for Directors (“Directors Plan”) and are included in the “Salary” column in the Summary Compensation Table above.

(2) The amounts shown in this column are the amounts we contributed to the officers’ account under the Retirement Bonus Plan and the SERP. These amounts are not included in the Summary Compensation Table.

(3) The amounts shown in this column are the earnings in the officers’ accounts under the Directors Plan, Retirement Bonus Plan and the SERP. These amounts are not included in the Summary Compensation Table because the earnings are not preferential.

(4) The amounts shown in this column are the combined balance of the applicable executive officers’ accounts under the Directors Plan, Retirement Bonus Plan and the SERP.

Directors Plan. Under the Directors Plan, directors, including named executive officers who serve as directors, are required to invest at least 25% of their board fees in our common stock and may invest up to 100% of their earned fees based on their annual election. These amounts are reflected in the above table. These stock investments can be made either through deferred fees or through the purchase of shares through the Isabella Bank Corporation Stockholder Dividend Reinvestment and Employee Stock Purchase Plan ("DRIP Plan"). Deferred fees, under the Directors Plan, are converted on a quarterly basis into stock units of our common stock based on the fair value of a share of our common stock as of the relevant valuation date. Stock units credited to a participant’s account are eligible for stock and cash dividends as paid. DRIP Plan shares are purchased pursuant to the DRIP Plan.

Distribution of deferred fees from the Directors Plan occurs when the participant retires from the Board or upon the occurrence of certain other events. The participant is eligible to receive a distributions in the form of shares of our common stock of all of the stock units that are then in his or her account, and any unconverted cash will be converted to and rounded up to the whole shares of stock and distributed, as well. Any common stock issued from deferred fees under the Directors Plan will be considered restricted stock under the Securities Act of 1933, as amended. Common stock purchased through the DRIP Plan are not considered restricted stock under the Securities Act of 1933, as amended.

SERP. Under the SERP, we may promise deferred compensation benefits to employees who are members of a select group of management or highly compensated employees, which may include the named executive officers. The SERP authorizes us to make annual and discretionary credits to a participant’s SERP account pursuant to a participation agreement with the participant that sets forth the amount and timing of any annual credits and the vesting, payment, “clawback” and other terms to which the credits are subject.

The SERP provides default terms that may be modified by a participant’s participation agreement, including default vesting, interest and payment terms. Under the SERP’s default vesting terms, a participant is initially unvested in the participant’s SERP account and becomes 100% vested upon attaining normal retirement age, retirement, involuntary separation from service without cause, death, disability or a change in control. Special vesting rules apply to amounts that are credited after a change in control. Under the SERP’s interest rule, a participant’s account balance is credited with interest annually, the rate of which may be changed and is based on Federated Investor's Institutional Money Market Management Fund yield (MMPXX) for the current plan year, updated annually. Under the SERP’s default payment terms, a participant’s vested and nonforfeited account balance will be paid in a single cash lump sum within 90 days after the first to occur of the participant’s separation from service (subject to a 6-month delay for a “specified employee”), death, disability, or any date specified in the participant’s participation agreement. The SERP also includes restrictive covenants that restrict a participant’s ability to compete with us and certain other activities.

Potential Payments Upon Termination or Change in Control

The estimated amounts payable to each named executive officer upon severance from employment, retirement, termination upon death or disability or termination following a change in control are described below. For all termination scenarios, the amounts assume such termination took place as of December 31, 2018.

Any Severance of Employment

Regardless of the manner in which a named executive officer's employment terminates, he or she is entitled to receive amounts earned during his or her term of employment. Such amounts include:

- Amounts accrued and vested through the Defined Benefit Pension Plan.
- Amounts accrued and vested through the Retirement Bonus Plan.
- Amounts deferred in the Directors Plan.
- Amounts vested through the Stock Award Incentive Plan.
- Unused vacation pay.

Retirement

In the event of the retirement of an executive officer, the officer would receive the benefits identified above.

Death or Disability

In the event of death or disability of an executive officer, in addition to the benefits listed above, the executive officer will also receive payments under our life insurance plan or under our disability plan as appropriate.

In addition to potential payments upon termination available to all employees, the estates for the executive officers listed below would receive the following payments upon death:

Name	While an Active Employee	Subsequent to Retirement
Jae A. Evans	$ 750,000	$ 400,000
Neil M. McDonnell	—	—
Jerome E. Schwind	576,450	288,225
David J. Reetz	339,840	169,920
Peggy L. Wheeler	311,426	155,713
Rhonda S. Tudor	—	—

Change in Control

We currently do not have a change in control agreement with any of the executive officers; provided, however, pursuant to the Retirement Bonus Plan, David J. Reetz and Peggy L. Wheeler, who are currently 100% vested in their benefit under the plan, would be entitled to receive their benefit as disclosed in the Nonqualified Deferred Compensation Table on the previous page, if following a change in control they voluntarily terminate employment or are terminated without just cause.

Under the SERP, each participant would become 100% vested in their SERP account upon a change in control. Under certain conditions, following a change in control, if a participant is involuntarily terminated without cause or voluntarily terminates for good reason all uncredited annual credits would be credited to his or her SERP account. If termination took place on December 31, 2018, that would have resulted in an additional credit to Jae A. Evans' SERP account of $375,000, Neil M. McDonnell's SERP account of $240,000, and Jerome E. Schwind's SERP account of $564,000 and a total credit for each individual of $815,874, $250,000, and $600,892, respectively.

Director Compensation

The following table summarizes the compensation of each non-employee director who served on the Board during 2018.

Name	Fees paid in cash ($)(1)	Fees deferred under Directors Plan ($)(1)	Total fees earned ($)
Dr. Jeffrey J. Barnes	$ —	$ 31,600	$ 31,600
Richard J. Barz	34,750	—	34,750
Jill Bourland	18,875	18,875	37,750
G. Charles Hubscher	—	31,600	31,600
Thomas L. Kleinhardt	—	35,650	35,650
Joseph LaFramboise	18,000	22,100	40,100
David J. Maness	40,875	13,625	54,500
W. Joseph Manifold	—	42,050	42,050
W. Michael McGuire	30,862	10,288	41,150
Sarah R. Opperman	22,075	21,175	43,250
Gregory V. Varner	—	45,675	45,675

(1) Directors electing to receive all fees in cash, resulting in no contributions to the Directors Plan, invest at least 25% of their board fees in our common stock under the DRIP Plan as described in our Directors Plan within the "Executive Officers" section.

We paid $1,500 per board meeting plus a retainer of $10,000 to each member during 2018. Members of the Audit Committee were paid $750 per Audit Committee meeting attended. Members of the Nominating and Corporate Governance Committee were paid $350 per meeting attended. The chairperson of the Board is paid a retainer of $35,000, the chairperson for the Audit Committee is paid a retainer of $6,000, and the vice chairperson for the Audit Committee is paid a retainer of $2,000.

Under the Directors Plan, upon a participant's retirement from the Board, or the occurrence of certain other events, the participant is eligible to receive a distribution in the form of shares of our common stock of all of the stock units that are then credited to the participant's account. The plan does not allow for cash settlement. Stock issued under the Directors Plan is restricted stock under the Securities Act of 1933, as amended.

We established a Rabbi Trust to supplement the Directors Plan. The Rabbi Trust is an irrevocable grantor trust to which we may contribute assets for the limited purpose of funding a nonqualified deferred compensation plan. Although we may not reach the assets of the Rabbi Trust for any purpose other than meeting its obligations under the Directors Plan, the assets of the Rabbi Trust remain subject to the claims of our creditors. We may contribute cash or common stock to the Rabbi Trust from time-to-time for the sole purpose of funding the Directors Plan. The Rabbi Trust will use any cash that we may contribute to purchase shares of our common stock on the open market.

We transferred $380,888 to the Rabbi Trust in 2018, which held 16,673 shares of our common stock for settlement as of December 31, 2018. As of December 31, 2018, there were 203,498 stock units credited to participants' accounts, which credits are unfunded as of such date to the extent that they are in excess of the stock and cash that has been credited to the Rabbi Trust. All amounts are unsecured claims against our general assets. The net cost of this benefit was $206,201 in 2018.

The following table displays the cumulative number of stock units of our common stock credited to the accounts of current directors pursuant to the terms of the Directors Plan as of March 11, 2019:

Name	# of stock units credited
Dr. Jeffrey J. Barnes	15,411
Jill Bourland	959
Jae A. Evans	2,197
G. Charles Hubscher	20,624
Thomas L. Kleinhardt	28,943
Joseph LaFramboise	13,953
David J. Maness	31,271
W. Joseph Manifold	24,230
W. Michael McGuire	10,842
Sarah R. Opperman	4,543
Jerome E. Schwind	3,750
Gregory V. Varner	11,932

Compensation and Human Resource Committee Interlocks and Insider Participation

In 2018, the Compensation and Human Resource Committee members were directors Barnes, Barz, Bourland, Hubscher, Kleinhardt, LaFramboise, Maness, Manifold, McGuire, Opperman, and Varner. No executive officer of the Corporation serves on any board of directors or compensation committee of any entity that compensates any member of the Compensation and Human Resource Committee.

Indebtedness of and Transactions with Management

Certain directors and officers and members of their families were loan customers of the Bank, or have been directors or officers of corporations, members or managers of limited liability companies, or partners of partnerships which have had transactions with the Bank. In our opinion, all such transactions were made in the ordinary course of business and were substantially on the same terms, including collateral and interest rates, as those prevailing at the same time for comparable transactions with customers not related to the Bank. These transactions do not involve more than normal risk of collectability or present other unfavorable features. Total loans to these customers were approximately $3,343,000 as of December 31, 2018. We address transactions with related parties in our Code of Business Conduct and Ethics Policy. Conflicts of interest are prohibited, except under board approved guidelines.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of March 11, 2019 as to our common stock owned beneficially by: 1) each director and director nominee, 2) by each named executive officer, 3) by all directors, director nominees and executive officers as a group, and 4) all those known by us to be beneficial owners of more than 5% of our common stock.

Name of Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class	
Dr. Jeffrey J. Barnes	7,624	0.10	%
Jill Bourland	330	(2	)
Jae A. Evans	13,526	0.17	%
G. Charles Hubscher	180,871	2.30	%
Thomas L. Kleinhardt	54,296	0.69	%
Joseph LaFramboise	1,410	0.02	%
David J. Maness	6,628	0.08	%
W. Joseph Manifold	4,983	0.06	%
Neil M. McDonnell	327	(2	)
W. Michael McGuire	96,361	1.22	%
Sarah R. Opperman	8,263	0.10	%
David J. Reetz	9,655	0.12	%
Jerome E. Schwind	3,210	0.04	%
Rhonda S. Tudor	132	(2	)
Gregory V. Varner	1,476	0.02	%
Peggy L. Wheeler	5,754	0.07	%
All Directors, nominees and Executive Officers as a Group (16) persons	394,846	5.01	%

(1) Beneficial ownership is defined by rules of the SEC and includes shares that the person has or shares voting or investment power over and shares that the person has a right to acquire within 60 days from March 11, 2019. Consequently, with respect to shares acquired under the Directors Plan, participants may not be eligible to convert their stock units to shares within 60 days from March 11, 2019 as a result of distribution elections and plan conditions. For stock units credited to each participant's account as of March 11, 2019, refer to the “Director Compensation” section of this report.

(2) Percentage is below 0.01%.

Independent Registered Public Accounting Firm

The Audit Committee has appointed Rehmann Robson LLC as our independent auditors for the year ending December 31, 2019.

A representative of Rehmann Robson LLC is expected to be present at the Annual Meeting to respond to appropriate questions from shareholders and to make any comments Rehmann Robson LLC believes are appropriate.

Fees for Professional Services Provided by Rehmann Robson LLC

The following table shows the aggregate fees billed by Rehmann Robson LLC for the audit and other services provided for:

	2018	2017
Audit fees	$324,866	$304,255
Audit related fees	48,403	20,651
Tax fees	61,265	23,382
Total	$434,534	$348,288

The audit fees were for performing the integrated audit of our consolidated annual financial statements and the internal control attestation report related to the Federal Deposit Insurance Corporation Improvement Act, reviews of interim quarterly financial statements included in our Forms 10-Q, and services that are normally provided by Rehmann Robson LLC in connection with statutory and regulatory filings or engagements.

The audit related fees are typically for various discussions related to the adoption and interpretation of new accounting pronouncements. During 2018, this includes fees for procedures related to nonrecurring regulatory filings. Also included are fees for auditing of our employee benefit plans.

The tax fees were for the preparation of our state and federal income tax returns and for consultation on various tax matters.

The Audit Committee has considered whether the services provided by Rehmann Robson LLC, other than the audit fees, are compatible with maintaining Rehmann Robson LLC’s independence and believes that the other services provided are compatible.

Pre-Approval Policies and Procedures

All non-audit services to be performed by Rehmann Robson LLC must be approved in advance by the Audit Committee if those fees are reasonably expected to exceed 5.0% of the current year agreed upon fee for independent audit services, so long as such services were recognized by the Corporation at the time of engagement to be non-audit services, and such services are promptly brought to the attention of the Audit Committee subsequent to completion of the audit. As permitted by SEC rules, the Audit Committee has authorized its chairperson to pre-approve audit, audit-related, tax and non-audit services, provided that such approved service is reported to the full Audit Committee at its next meeting.

As early as practicable in each calendar year, the independent auditor provides to the Audit Committee a schedule of the audit and other services that the independent auditor expects to provide or may provide during the next twelve months. The schedule will be specific as to the nature of the proposed services, the proposed fees, timing, and other details that the Audit Committee may request. The Audit Committee will by resolution authorize or decline the proposed services. Upon approval, this schedule will serve as the budget for fees by specific activity or service for the next twelve months.

A schedule of additional services proposed to be provided by the independent auditor, or proposed revisions to services already approved, along with associated proposed fees, may be presented to the Audit Committee for their consideration and approval at any time. The schedule will be specific as to the nature of the proposed service, the proposed fee, and other details that the Audit Committee may request. The Audit Committee will by resolution authorize or decline authorization for each proposed new service.

Applicable SEC rules and regulations permit waiver of the pre-approval requirements for services other than audit, review or attest services if certain conditions are met. Out of the services characterized above as audit-related, tax and professional services, none were billed pursuant to these provisions in 2018 and 2017 without pre-approval.

Shareholder Proposals
Any proposals which you intend to present at the next Annual Meeting must be received before November 26, 2019 to be considered for inclusion in our Proxy Statement and proxy for that meeting. Proposals should be made in accordance with Securities and Exchange Commission Rule 14a-8.
Directors' Attendance at the Annual Meeting of Shareholders
Our directors are encouraged to attend the Annual Meeting. At the 2018 Annual Meeting, all directors were in attendance.
Section 16(a) Beneficial Ownership Reporting Compliance
Section 16(a) of the Securities Exchange Act of 1934 requires our directors and certain officers and persons who own more than 10% of our common stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. These officers, directors, and greater than 10% shareholders are required by SEC regulation to furnish us with copies of these reports.
To our knowledge, based solely on review of the copies of such reports furnished, during the year ended December 31, 2018 all Section 16(a) filing requirements were satisfied, with respect to the applicable officers, directors, and greater than 10% beneficial owners with the exception of the following: director Barz filed two late reports for two reportable transactions, director Opperman filed one late report for one reportable transaction, and executive officer Reetz filed 11 late reports for 14 reportable transactions.
Other Matters
We will bear the cost of soliciting proxies. In addition to solicitation by mail, officers and other employees may solicit proxies by telephone or in person, without compensation other than their regular compensation.
As to Other Business Which May Come Before the Meeting
We do not intend to bring any other business before the meeting for action. However, if any other business should be presented for action, it is the intention of the persons named in the enclosed form of proxy to vote in accordance with their judgment on such business.

By order of the Board of Directors

Debra Campbell, Secretary

SHAREHOLDERS' INFORMATION
Financial Information and Form 10-K
Copies of the 2018 Annual Report, Isabella Bank Corporation Form 10-K, and other financial information not contained herein are available on the Bank's website (www.isabellabank.com) under the Investors tab, or may be obtained, without charge, by writing to:
Debra Campbell
Secretary
Isabella Bank Corporation
401 N. Main St.
Mt. Pleasant, Michigan 48858