J2 GLOBAL, INC.
Form PRE 14A
March 16, 2015

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant x
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Check the appropriate box:

x	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

j2 GLOBAL, INC.

(Name of Registrant as Specified in Its Charter)

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

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(3) Filing Party:

(4) Date Filed:

j2 Global, Inc.
6922 Hollywood Boulevard, Suite 500
Los Angeles, California 90028

Dear Stockholder:

We cordially invite you to attend the j2 Global, Inc. 2015 Annual Meeting of Stockholders. The meeting will be held on Wednesday, May 6, 2015, at 10:00 a.m. local time at the Hollywood Roosevelt Hotel, 7000 Hollywood Boulevard, Los Angeles, California 90028. Details regarding the meeting and the business to be conducted are more fully described in the Notice of Internet Availability of Proxy Materials you received in the mail and in the attached proxy statement.

At the meeting, stockholders will vote on important matters. Please take the time to carefully read the proposals described in the attached proxy statement.

Thank you for your support of j2 Global, Inc.

Sincerely,

Richard S. Ressler
Chairman of the Board

This notice of annual meeting and proxy statement are being made available on or about March 26, 2015.

j2 Global, Inc.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on May 6, 2015

We will hold the 2015 Annual Meeting of Stockholders of j2 Global, Inc., a Delaware corporation, at the Hollywood Roosevelt Hotel, 7000 Hollywood Boulevard, Los Angeles, California 90028, on Wednesday, May 6, 2015, at 10:00 a.m. local time, for the following purposes:

1. To elect six directors to serve for the ensuing year and until their successors are duly elected and qualified;
2. To ratify the appointment of BDO USA, LLP to serve as j2 Global's independent auditors for fiscal 2015;
3. To provide an advisory vote on the compensation of j2 Global's named executive officers;
4. To approve j2 Global's 2015 Stock Option Plan;
5. To authorize an amendment of the Amended and Restated Certificate of Incorporation of j2 Cloud Services, Inc., our wholly owned subsidiary, to remove a voting provision that requires the vote of the stockholders of j2 Global in order for j2 Cloud Services, Inc. to take certain actions; and
6. To transact such other business as may properly come before the meeting and any adjournment(s) and postponement(s) thereof.

The foregoing items of business are more fully described in the proxy statement which is attached to, and made a part of, this notice. The Board of Directors has fixed the close of business on March 13, 2015, as the record date for determining the stockholders entitled to receive notice of, and to vote at, the 2015 Annual Meeting of Stockholders and any adjournment or postponement thereof.

We are using the "Notice and Access" method of providing proxy materials to you via the Internet. We are convinced this process provides you with a convenient and quick way to access your proxy materials and vote your shares, while also conserving resources and reducing the costs of printing and mailing the proxy materials. On or about March 26, 2015, we will mail to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials and vote via the Internet. The Notice also contains instructions on how to receive a paper copy of the proxy materials.

All stockholders are cordially invited to attend the Annual Meeting in person. However, whether or not you plan to attend the Annual Meeting in person, you are urged to submit your proxy or voting instructions as promptly as possible to ensure your representation and the presence of a quorum at the Annual Meeting. If you submit your proxy and then decide to attend the Annual Meeting to vote your shares in person, you may still do so. Your proxy is revocable in accordance with the procedures set forth in the proxy statement.

By Order of the Board of Directors,
R. Scott Turicchi
President and Chief Financial Officer

March 26, 2015

Los Angeles, California

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j2 Global, Inc.

6922 Hollywood Boulevard, Suite 500, Los Angeles, California 90028

March 26, 2015

PROXY STATEMENT

ABOUT THE ANNUAL MEETING

Who Is Soliciting My Vote?

The Board of Directors of j2 Global, Inc. is soliciting your vote at the 2015 Annual Meeting of j2 Global's stockholders (the "Annual Meeting"). In this proxy statement, j2 Global, Inc. is referred to as "j2 Global," the "Company," "we," "us" and "our."

What Will I Be Voting On?

1. A proposal to elect six members to the j2 Global Board of Directors (see page 6);

2. A proposal to ratify the appointment of BDO USA, LLP ("BDO") to serve as j2 Global's independent auditors for fiscal 2015 (see page 9); and

3. A proposal to provide an advisory vote on the compensation of j2 Global's named executive officers (see page 10).

4. A proposal to approve j2 Global's 2015 Stock Option Plan (see page 11).

5. A proposal to authorize an amendment of the Amended and Restated Certification of Incorporation of j2 Cloud Services, Inc., our wholly owned subsidiary, to remove a voting provision that requires the vote of the stockholders of j2 Global in order for j2 Cloud Services, Inc. to take certain actions (see page 18).

How Many Votes Do I Have?

You will have one vote for every share of j2 Global common stock you owned at the close of business on March 13, 2015 (the "record date").

How Many Votes Can Be Cast By All Stockholders?

48,241,382, which represents the total number of shares of j2 Global common stock that were outstanding and eligible to vote on the record date.

How Many Votes Must Be Present to Hold the Meeting?

A majority of the votes that can be cast, or 24,120,692 votes. We urge you to vote by proxy even if you plan to attend the Annual Meeting so that we will know as soon as possible that enough votes will be present for us to hold the Annual Meeting.

What is the Required Vote to Approve Each Proposal?

For Proposal 1 – Election of Directors – to be elected to the j2 Global Board of Directors, each of the six nominees must receive the affirmative vote of the majority of shares of j2 Global common stock present or represented by proxy and voting at the Annual Meeting (meaning the number of shares voted “for” a nominee must exceed the number of shares voted “against” such nominee). If the votes cast “for” a nominee do not exceed the votes cast “against” a nominee, pursuant to our Corporate Governance Guidelines, the nominee must promptly tender his resignation for consideration by the Company’s Corporate Governance and Nominating Committee, which will recommend to the Board of Directors the action to be taken.

For Proposal 2 – Ratification of Selection of Independent Auditors, Proposal 3 – Advisory Vote on the Compensation of the Named Executive Officers, and Proposal 4 – Approval of the 2015 Stock Plan, approval requires the affirmative vote of holders of a majority of shares of j2 Global common stock present in person or represented by proxy and entitled to vote at the Annual Meeting.

For Proposal 5 – Authorization of Amendment to Amended and Restated Certification of Incorporation of j2 Cloud Services, Inc., approval requires the affirmative vote of holders of a majority of shares of j2 Global common stock outstanding as of the record date.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

Pursuant to rules adopted by the Securities and Exchange Commission (the “SEC”), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our stockholders of record and beneficial owners. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, stockholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

How can I get electronic access to the proxy materials?

The Notice provides you with instructions regarding how to:

View our proxy materials for the Annual Meeting on the Internet; and

Instruct us to send future proxy materials to you electronically by email.

Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents to you and will reduce the impact of our annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email next year with instructions containing a link to those materials and a link to the proxy voting site. Your election to receive proxy materials by email will remain in effect until you terminate it.

The Notice, proxy statement, proxy card and the 2014 Annual Report are available at www.proxyvote.com.

How can I obtain paper or email copies of proxy materials?

The Notice contains a toll-free telephone number, an email address, and a website where stockholders can request a paper or an email copy of the proxy statement, proxy card and the 2014 Annual Report. These proxy materials are available free of charge.

Can I vote my shares by filling out and returning the Notice?

No. The Notice identifies the items to be voted on at the Annual Meeting, but you cannot vote by marking the Notice and returning it. The Notice provides instructions on how to vote by Internet or how to request a paper proxy card.

How Do I Vote?

If you are a stockholder of record, you can vote either in person at the Annual Meeting, by proxy without attending the Annual Meeting or as otherwise provided in this mailing. You can vote by proxy over the Internet by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you can also vote by mail or telephone pursuant to instructions provided on the proxy card.

If you own your j2 Global stock through a bank or broker, you may also vote by proxy over the Internet by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you can also vote by telephone or mail by following the instructions that the broker or nominee provides to you.

If you want to vote in person at the Annual Meeting and you hold your j2 Global stock through a bank or broker (that is, in street name), you must obtain a proxy from your bank or broker and bring that proxy to the Annual Meeting.

Can I Revoke My Proxy?

Yes. If you are a stockholder of record, just send in a new proxy card with a later date or send a written notice of revocation to j2 Global's Secretary at 6922 Hollywood Boulevard, Suite 500, Los Angeles, California 90028. If you own your j2 Global stock through a bank or broker, follow the instructions provided by your bank or broker. In addition, if you are a stockholder of record, attend the Annual Meeting and want to vote in person, you can request that your previously submitted proxy not be used. Attendance at the Annual Meeting will not by itself revoke a proxy.

What If I Vote "Abstain"?

Abstentions are counted as votes present for purposes of determining whether a quorum exists for the transaction of business at the Annual Meeting. An abstention has no effect on the outcome of Proposal 1 – Election of Directors. An abstention has the same effect as a vote against Proposal 2 – Ratification of Selection of Independent Auditors, Proposal 3 – Advisory Vote on Compensation of the Named Executive Officers, Proposal 4 – Approval of the 2015 Stock Plan, and Proposal 5 – Authorization of Amendment to Amended and Restated Certificate of Incorporation of j2 Cloud Services, Inc.

What if I Don't Provide Specific Voting Instructions?

If you are a stockholder of record and return a proxy card without indicating your vote, your shares will be voted FOR the director nominees listed on the card, FOR ratification of the appointment of BDO as j2 Global's independent auditors, FOR approval of an advisory resolution approving the compensation paid to j2 Global's named executive officers, FOR approval of the 2015 Stock Plan, and FOR authorization of the amendment to the Amended and Restated Certificate of Incorporation of j2 Cloud Services, Inc., and otherwise in accordance with the judgment of the person or persons voting the proxy on any other matter properly brought before the Annual Meeting.

If you are the beneficial owner of shares held in street name and don't instruct your bank or broker how to vote your shares, your bank or broker will not be able to vote your shares on certain matters scheduled to come before the Annual Meeting. If you want your vote to count in the election of directors, it is critical that you cast your vote on Proposal 1 – Election of Directors. In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf as it felt appropriate. Changes in regulations have taken away the ability of your bank or broker to vote your uninstructed shares in the election of directors on a discretionary basis. In addition, your broker is not permitted to vote your uninstructed shares on Proposal 3 – Advisory Vote on Compensation of the Named Executive Officers, Proposal 4 – Approval of the 2015 Stock Plan, and Proposal 5 – Authorization of Amendment to Amended and Restated Certificate of Incorporation of j2 Cloud Services, Inc. Thus, if you hold your shares in street name and you do not instruct your bank or broker how to vote with respect to the aforementioned proposals, no votes will be cast on your behalf on such proposals. Your broker will, however, continue to have discretion to vote any uninstructed shares on Proposal 2 – Ratification of Selection of Independent Auditors.

If your bank or broker does not have discretion to vote your shares held in street name on a particular proposal and you don't give your broker instructions on how to vote your shares, or your broker has such discretion but does not exercise it, the votes will be broker non-votes, which will be counted for purposes of determining whether a quorum is present for transaction of business at the Annual Meeting. Broker non-votes will have no effect on the vote for Proposal 1 – Election of Directors, Proposal 2 – Ratification of Selection of Independent Auditors or Proposal 3 – Advisory Vote on Compensation of the Named Executive Officers, and Proposal 4 – Approval of the 2015 Stock Plan. A broker non-vote has the same effect as a vote against Proposal 5 – Authorization of Amendment to Amended and Restated Certificate of Incorporation of j2 Cloud Services, Inc.

If you are the owner of record, and you don't vote your shares held in your name, your shares will not be counted as present for purposes of determining whether a quorum exists for transaction of business at the Annual Meeting, and no votes will be cast on your behalf on any of the items of business at the Annual Meeting.

What Happens if the Meeting is Postponed or Adjourned?

Your proxy will still be good and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Who Can I Contact if I Have Questions Concerning the Annual Meeting?

If you have any further questions about voting your shares or attending the Annual Meeting, or wish to obtain directions to the Annual Meeting, please call or email j2 Global's Investor Relations Department at 323-657-5371 or investor@j2global.com.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 6, 2015

The Notice of Internet Availability of Proxy Materials, the proxy statement and j2 Global's 2014 Annual Report are available on the Investor Relations section of j2 Global's website at http://investor.j2global.com/sec.cfm.

PROPOSAL 1 — ELECTION OF DIRECTORS

General

A Board of six directors is to be elected at the Annual Meeting. Unless otherwise instructed on the proxy card, the proxy holders will vote the proxies received by them for j2 Global's six nominees named below, each of whom is currently a director of j2 Global. In the event that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, neither of which is expected to occur, the proxies will be voted for such nominee as shall be designated by the current j2 Global Board of Directors to fill the vacancy.

Vote Required

Each share of j2 Global common stock may vote for up to six director-nominees. Votes may not be cumulated. If a quorum is present, each of the nominees receiving the affirmative vote of the majority of shares voting at the Annual Meeting will be elected to the j2 Global Board of Directors.

The term of office of each person elected as a director will continue until the next Annual Meeting or until his successor has been duly elected and qualified.

THE j2 GLOBAL BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH OF THE NOMINEES LISTED BELOW.

Nominees

The names of the nominees, their ages at the record date and certain other information about them are set forth below:

Name	Age	Principal Occupation	Director Since
Richard S. Ressler(4)	56	President of Orchard Capital Corporation	1997
Douglas Y. Bech(2)(3)	69	Chairman and CEO of Raintree Resorts International	2000
Robert J. Cresci(1)(2)(4)	71	Managing Director of Pecks Management Partners Ltd.	1998
W. Brian Kretzmer(1)(3)	61	Private Investor	2007
Jonathan F. Miller(3)	58	Partner at Advancit Capital	2015
Stephen Ross(1)(2)	66	Executive Vice President – Recreational Enterprises of Warner Bros Entertainment, Inc.	2007

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(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance and Nominating Committee
(4) Member of the Executive Committee

There are no family relationships among any of the directors or executive officers of j2 Global.

Director Backgrounds and Qualifications

The following paragraphs provide information as of the date of this proxy statement about each director nominee. The information presented includes information each director has given us about his age, all positions he holds, his principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he currently serves as a director or has served as a director during the past five years. Also included is a brief discussion of the specific experience, qualifications, attributes and skills of each nominee that led our Board of Directors to the conclusion that the nominee should serve as a director. In addition to the specifically noted criteria, j2 Global believes that each nominee has a reputation for integrity and honesty and has demonstrated business acumen and an ability to exercise sound judgment.

Richard S. Ressler has been Chairman of the Board of Directors and a director of j2 Global since 1997, and served as j2 Global’s Chief Executive Officer from 1997 to 2000, serving in each of these capacities pursuant to a consulting agreement between j2 Global and Orchard Capital Corporation (“Orchard Capital”). Mr. Ressler is the founder and President of Orchard Capital, a firm that provides consulting and advisory services to companies (including j2 Global) in which Orchard Capital or its affiliates invest. He has been President of Orchard Capital since 1994. Through his affiliation with Orchard Capital, Mr. Ressler serves in various senior capacities with, among others, CIM Group, L.P., (together with its affiliates, “CIM”), a real estate investment and management company and Orchard First Source Asset Management (together with its affiliates, “OFSAM”), an investment adviser focusing on middle market debt investments. Both OFSAM and its wholly owned subsidiary, OFS Capital Management, LLC, are registered with the SEC as registered investment advisers. Mr. Ressler currently serves on the boards of CIM Commercial Trust Corporation and Presbia PLC, and also serves as a board member for various private companies in which Orchard Capital or its affiliates invest. Mr. Ressler’s extensive experience with, and knowledge of, business management and finance are invaluable to our Board of Directors’ discussions.

Douglas Y. Bech has served as a director of j2 Global since November 2000. From August 1988 through November 2000, he served as a director of eFax.com, a company j2 Global acquired in November 2000. Since August 1997, Mr. Bech has served as Chairman and Chief Executive Officer of Raintree Resorts International, a company that owns and operates vacation ownership resorts throughout North America. Mr. Bech practiced securities and corporate finance law from 1970 until 1997. Mr. Bech has also served as a director of HollyFrontier Corporation since July 2011 and was a director of Frontier Oil Corporation from May 1993 when it merged with Holly Corporation in July 2011. Mr. Bech is independent presiding director of HollyFrontier. Mr. Bech also serves as an independent director of CIM Commercial Trust Corporation since March 2014 and of Moody National REIT II since August 2014. Mr. Bech’s previous work as a securities and corporate finance lawyer, as a director of another public company and his current experience as a chief executive officer of a private enterprise engaged in marketing, management and consumer finance in three different countries provide expertise on corporate governance and a unique perspective to the Board of Directors.

Robert J. Cresci has been a director of j2 Global since 1998. Mr. Cresci has been a Managing Director of Pecks Management Partners Ltd., an investment management firm, since 1990. He currently serves on the boards of Luminex Corporation, OFS Capital Corporation, CIM Commercial Trust Corporation and Presbia PLC. Mr. Cresci previously served on the board of Continucare Corporation until 2011 and the board of Sepracor, Inc. until 2009. Mr. Cresci’s extensive knowledge of investment management and accounting from his experience with Pecks Management Partners and his experience serving on other public company boards of directors have proven invaluable to our Board of Directors’ discussions regarding investment strategies, accounting issues and public company matters.

W. Brian Kretzmer was elected to j2 Global's Board of Directors in July 2007. He is currently an investor in several private firms where he serves in multiple capacities. From 1999 to 2006, Mr. Kretzmer was Chief Executive Officer of MAI Systems Corporation (which operated principally through its subsidiary Hotel Information Systems), a provider of enterprise management solutions for lodging organizations. He also served as Chief Financial Officer of MAI Systems Corporation from 1999 to 2000. Mr. Kretzmer's experience with MAI Systems Corporation provides the Board of Directors a valuable operational and financial perspective and accounting expertise.

Jonathan F. Miller was appointed to j2 Global's Board of Directors in February 2015. Mr. Miller is currently a partner at Advancit Capital and previously has served as Chairman and Chief Executive Officer of the Digital Media Group at News Corp., and was its Chief Digital Officer from April 2009 to September 2012. Mr. Miller was a founding partner of Velocity Interactive Group, an investment firm focusing on internet and digital media, from its inception in 2007 to 2009. Prior to founding Velocity, Mr. Miller served as the Chief Executive Officer of America Online, Inc. ("AOL") from 2002 to 2006. Prior to joining AOL, Mr. Miller served as Chief Executive Officer and President of USA Information and Services. Mr. Miller currently is a director of TripAdvisor, Inc. and Shutterstock, Inc. Mr. Miller previously served as a director of LiveNation Entertainment, Inc. and Ticketmaster prior to its merger with LiveNation. Mr. Miller is a trustee of The Paley Center for Media, the International Emmy Association, the Independent Film Project and Made in NY Media Center. Mr. Miller holds a B.A. from Harvard College. Mr. Miller's broad general management background in both the media and technology sectors, as well as his experience with growth companies, brings a diverse and valuable perspective to the Board of Directors.

Stephen Ross was elected to j2 Global's Board of Directors in July 2007. From 1989 to the present, he has served in various positions with Warner Bros Entertainment, Inc. He is currently Executive Vice President – Recreational Enterprises. Until 2009, Mr. Ross also served as a director of Grill Concepts, Inc., a restaurant company. Mr. Ross' more than 20 years of broad experience with one of the world's premiere entertainment companies provides the Board of Directors a unique perspective.

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PROPOSAL 2 — RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

General

The Audit Committee of the Board of Directors has selected BDO as independent auditors for j2 Global for the fiscal year ending December 31, 2015. BDO has served as j2 Global's independent auditors since May 9, 2014. Notwithstanding the ratification of BDO as j2 Global's independent auditors, the Audit Committee, in its discretion, may direct appointment of new independent auditors at any time during the year if the Audit Committee believes that such a change would be in the best interests of j2 Global and its stockholders. In addition, if the stockholders do not ratify the appointment of BDO, the Audit Committee will consider the appointment of other independent auditors, but is not required to do so. Representatives of BDO are expected to be present at the Annual Meeting and available to respond to appropriate questions. Those representatives will have the opportunity to make a statement if they wish to do so.

Vote Required

Ratification of BDO as j2 Global's auditors for the fiscal year ending December 31, 2015, requires the affirmative vote of the holders of a majority of shares of j2 Global common stock present or represented and entitled to vote at the Annual Meeting.

THE j2 GLOBAL BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” PROPOSAL 2 – RATIFICATION OF SELECTION OF BDO AS j2 GLOBAL'S INDEPENDENT AUDITORS.

PROPOSAL 3 — ADVISORY VOTE ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS

j2 Global is seeking approval of an advisory resolution on its compensation of the named executive officers, as reported in this proxy statement. As described below in the "Compensation Discussion and Analysis" section of this proxy statement, the Compensation Committee has structured j2 Global's executive compensation program to link compensation to continuous improvements in corporate performance and increase in stockholder value. j2 Global's executive compensation program goals include the following:

- to establish pay levels that attract, retain and motivate highly qualified executive officers, while considering the overall market competitiveness for such executive talent and balancing the relationship between total stockholder return and direct compensation;
- to align executive officer remuneration with the interests of the stockholders;
- to recognize superior individual performance;
- to balance base and incentive compensation to complement j2 Global's annual and longer-term business objectives and strategies and encourage the fulfillment of those objectives and strategies through executive officer performance; and
- to provide compensation opportunities based on j2 Global's performance.

j2 Global urges stockholders to read the "Compensation Discussion and Analysis" beginning on page 30 of this proxy statement, which describes in more detail how j2 Global's executive compensation policies and procedures operate and are designed to achieve its compensation goals, as well as the Summary Compensation Table and other related compensation tables and narrative, appearing on pages 39 through 45, which provide detailed information on the compensation of j2 Global's named executive officers. The Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving j2 Global's goals, and that the compensation of the named executive officers reported in this proxy statement has contributed to the Company's recent and long-term success.

In accordance with Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), j2 Global is asking stockholders to approve the following advisory resolution at the 2015 Annual Meeting of Stockholders:

RESOLVED, that the stockholders of j2 Global, Inc. (the "Company") approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the Company's 2015 Annual Meeting of Stockholders.

This advisory resolution, commonly referred to as a "say-on-pay" resolution, is non-binding on the Board of Directors. Although non-binding, the Board of Directors and the Compensation Committee will review and consider the voting results when making future decisions regarding the Company's executive compensation program.

THE j2 GLOBAL BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 3 – APPROVAL OF THE ADVISORY RESOLUTION ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS.

PROPOSAL 4 — APPROVAL OF 2015 STOCK OPTION PLAN

General

On February 10, 2015, upon the recommendation of the Compensation Committee, the Board of Directors approved the j2 Global, Inc. 2015 Stock Option Plan (the "2015 Stock Plan"), subject to stockholder approval at the Annual Meeting. If approved, the 2015 Stock Plan will replace the Company's 2007 Stock Option Plan (the "2007 Stock Plan").

The 2015 Stock Plan is intended as a successor plan to the 2007 Stock Plan since no further grants will be made under the 2007 Stock Plan if our stockholders approve the 2015 Stock Plan. The 2007 Stock Plan is scheduled to terminate on February 14, 2017; however, if the 2015 Stock Plan is approved by our stockholders at the Annual Meeting, no further grants will be made under the 2007 Stock Plan on or after the effective date of the 2015 Stock Plan. Information on grants outstanding under our other equity compensation plans as of December 31, 2014, is provided on page 44 of this proxy statement.

Our Board of Directors believes that the approval of the 2015 Stock Plan by our stockholders will further our compensation structure and strategy. The Board of Directors believes that our ability to attract, retain and motivate top quality management and employees, consultants, advisors and non-employee directors is material to our success and would be enhanced by our ability to grant equity compensation under the 2015 Stock Plan. In addition, our Board of Directors believes that our interests and the interests of our stockholders will be advanced if we can offer our employees, consultants, advisors and non-employee directors the opportunity to acquire or increase their proprietary interest in us.

Summary of the 2015 Stock Plan

This section summarizes the 2015 Stock Plan, and is qualified in its entirety by the full text of the 2015 Stock Plan, which is included in Annex A to this proxy statement. Capitalized terms used in this Proposal 4 and not defined in this Proposal 4 are defined in the 2015 Stock Plan.

Purpose

The purposes of the 2015 Stock Plan are to advance the interests of the Company and its stockholders by providing incentives to selected officers, employees and consultants who contribute and are expected to contribute to the success of the Company, and to enhance the interest of such officers and employees in the Company's success and progress by providing them with an opportunity to become stockholders of the Company. Further, the 2015 Stock Plan is designed to enhance the Company's ability to attract and retain qualified employees.

Administration

The 2015 Stock Plan will be administered by the Compensation Committee or such other committee to which the Board of Directors has delegated power to act, which must consist of at least two directors, all of whom shall be intended to qualify as "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any successor rule thereto) (the "Exchange Act") and "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986 (as amended, the "Code"), unless otherwise determined by the Board of Directors. The Compensation Committee may delegate its duties to any subcommittee of the Compensation Committee.

The Compensation Committee will have the authority to interpret the 2015 Stock Plan, to establish, amend and rescind any rules and regulations relating to the 2015 Stock Plan and to make any other determinations that it deems necessary or desirable for the administration of the 2015 Stock Plan.

Eligibility

All employees of the Company and its subsidiaries, as well as the Company's directors and consultants performing services for the Company or its subsidiaries, will be eligible to participate in the 2015 Stock Plan. As of March 13, 2015, approximately 1,472 employees and directors of the Company and its subsidiaries would be eligible to participate in the 2015 Stock Plan.

Shares Subject to the 2015 Stock Plan

The total number of shares of common stock which may be issued under the 2015 Stock Plan is 4,200,000. The 2015 Stock Plan includes limits on the maximum amount of awards that may be granted under specified types of awards to specified types of participants in a calendar year.

The maximum number of shares subject to stock options which may be granted to a participant in a calendar year is 1,500,000.

The maximum number of shares with respect to which Performance-Based Awards (defined below) (other than stock options and stock appreciation rights) may be granted during each calendar year to a participant may not exceed 1,000,000.

If any awards terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised or if any awards are forfeited or expire or otherwise terminate without the delivery of any shares of common stock, the shares of common stock subject to such awards will again be available for purposes of the 2015 Stock Plan.

Shares that are delivered to, or withheld by, the Company under an award may not be reissued under the 2015 Stock Plan. Shares may be delivered or withheld in connection with the exercise of stock options, the settlement of SARs or the payment of required withholding taxes.

Stock Options

The Compensation Committee may award non-qualified stock options and "incentive" stock options under the 2015 Stock Plan. The exercise price of a stock option may not be less than the fair market value of the common stock on the date the stock option is granted. The exercise price is payable in cash or, if the grant provides, in common stock. Generally, no stock option may be exercised during the first year of its term or such longer period as may be specified in the option grant. All stock options terminate after a 10-year period from the date of the grant.

In the event of a change in control, the 2015 Stock Plan provides for unvested stock options to become exercisable upon certain terminations of employment within 24 months following a change in control (known as a "double trigger") and allows the Compensation Committee to make unvested stock options immediately exercisable upon a change of control if an acquiring company does not assume or otherwise replace stock options or in its discretion.

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Stock Appreciation Rights

The Compensation Committee may grant stock appreciation rights (“SARs”) independent of, or in connection with, a stock option. Each SAR will entitle a participant, upon exercise, to an amount equal to (i) the excess of (A) the fair market value on the exercise date of one share of common stock over (B) the exercise price of the right (or over the option exercise price if the SAR is granted in connection with a stock option), multiplied by (ii) the number of shares of common stock covered by the SAR. Payment will be made in shares of common stock (any common stock is valued at fair market value on the exercise date) and/or cash, as determined by the Compensation Committee.

Restricted Stock

The Compensation Committee will determine the number of shares of restricted stock to grant to a participant, the duration of the period during which any restrictions may remain imposed on such restricted stock, the conditions, if any, under which the restricted stock may be forfeited to the Company, and the other terms and conditions of restricted stock awards. Unless the Compensation Committee determines otherwise, a recipient of restricted stock has the same voting, dividend and other rights as holders of common stock

Restricted Stock Units

A restricted stock unit (“RSU”) award gives the participant an opportunity to receive shares of common stock free of restrictions upon vesting of the RSU award (and subject to any other terms of the RSU award). The Compensation Committee will determine the number of RSUs to grant to a participant, the duration of the period during which any vesting or restrictions may remain imposed on such RSUs, the conditions, if any, under which the RSUs may be forfeited to the Company, and the other terms and conditions of the RSU awards.

Other Stock-Based Awards

The Compensation Committee, in its sole discretion, may grant other stock-based awards. Such other stock-based awards may be in such form, and dependent on such conditions, as the Compensation Committee determines, including, without limitation, the right to receive shares of common stock (or the equivalent cash value of such shares of common stock based on the fair market value of such stock).

Performance-Based Awards

Stock options, restricted stock, RSU and other equity-based awards granted under the 2015 Stock Plan may be granted in a manner designed to make them deductible by the Company under Section 162(m) of the Code. Such awards (“Performance-Based Awards”) shall be based upon one or more of the following performance criteria: (i) measures of efficiency (including operating efficiency, productivity ratios or other similar measures); (ii) measures of achievement of expense targets, costs reductions, working capital, cash levels or general expense ratios; (iii) asset growth; (iv) earnings per share; (v) enterprise value or value creation targets; (vi) combined net worth; (vii) debt to equity ratio; (viii) revenues, sales, net revenues or net sales measures; (ix) gross profit or operating profit measures (including before or after taxes or other similar measures); (x) investment performance; (xi) income or operating income measures (with or without investment income or income taxes, before or after risk-adjustment, or other similar measures); (xii) cash flow; (xiii) margin; (xiv) net income, before or after taxes; (xv) earnings before interest, taxes, depreciation and/or amortization; (xvi) return measures (including return on capital, total capital, tangible capital, expenses, tangible expenses, equity, revenue, assets, or net assets or total shareholder return or similar measures); (xvii) market share measures; (xviii) measures of balance sheet achievements (including debt reductions, leverage ratios or other similar measures); and (xix) increase in fair market value of common stock.

With respect to Performance-Based Awards, (A) the Compensation Committee shall establish in writing the objective performance goals applicable to a given performance period no later than 90 days after the commencement of such performance period (or, if the performance period is less than one year, no later than the number of days which is equal to 25% of the relevant performance period), and (B) no awards shall be paid to any participant for such performance until the Compensation Committee certifies that the objective performance goals applicable to such performance period have been satisfied.

Change in Control

Unless the Compensation Committee or Board determines otherwise at the time of grant, in the event a participant's employment is involuntarily terminated without cause during the 24-month period following a change in control:

Any unvested stock options and SARs will vest and remain exercisable for their full term or be settled in accordance with the terms of grant, as applicable;

The restrictions on any restricted stock and RSUs will lapse; and

Performance-Based Awards will be considered earned and payable based upon the greater of target level or actual performance (or, if no target level is specified, the maximum level).

Additionally, the Compensation Committee or Board may provide for awards to be cancelled in exchange for a cash payment in connection with a change in control.

Adjustments Upon Certain Events

In the event of any stock split, spin-off, share combination, reclassification, recapitalization, payment of an extraordinary cash dividend or other similar transaction or occurrence which affects the equity securities of the Company or the value of such equity securities, the Compensation Committee shall make appropriate adjustments in one or more of (i) the number of shares of common stock available for or covered by awards granted under the 2015 Stock Plan, (ii) the number of shares of common stock subject to outstanding stock options and other awards, or (iii) the exercise price of each outstanding stock option or other awards.

Amendment and Termination

The Board of Directors may amend or terminate the 2015 Stock Plan at any time, subject to stockholder approval if such approval is required under the Code or any applicable laws or stock exchange requirements. The 2015 Stock Plan will terminate on February 10, 2025, unless earlier terminated by the Board.

Minimum Vesting Schedule

Except for certain awards made to new-hires, awards granted under the 2015 Stock Plan will be subject to a minimum vesting schedule of at least twelve months from the grant date of grant; provided, however, that (i) the vesting schedule may be on a monthly, quarterly or yearly pro-rata basis and (ii) awards for which vesting will lapse based on achievement of performance goals shall be subject to a minimum vesting schedule of at least twelve months.

No Repricing of Stock Options/SARs; No Reloads

Except for adjustments to stock options or SARs made in connection with changes in capitalization of the Company or similar events, as discussed above in “Adjustments Upon Certain Events”, the 2015 Stock Plan prohibits the repricing of the exercise price of stock options or SARs without prior approval of the Company’s stockholders. In addition, the 2015 Stock Plan prohibits automatic reload provisions with respect to stock options or SARs without prior approval of the Company’s stockholders.

Grants Under the 2015 Stock Plan

No grants have been awarded under the 2015 Stock Plan and it is currently not possible to predict the number of shares of common stock that will be granted or who will receive grants under the 2015 Stock Plan if the stockholders approve the 2015 Stock Plan at the Annual Meeting.

As of the record date, the closing price of our common stock was $67.44 per share.

U.S. Tax Consequences of the 2015 Stock Plan Awards

The following general discussion of the federal income tax consequences of awards to be granted under the 2015 Stock Plan is based on current federal tax laws and regulations, does not purport to be a complete description of the federal income tax laws, and does not purport to be a representation as to the actual tax consequences that any participant or the Company may in fact incur. Participants may also be subject to certain state and local taxes, which are not described below.

Non-qualified Stock Options

If the award granted is a non-qualified stock option, no income is realized by the participant at the time of grant of the option, and no deduction is available to the Company at such time. At the time of a cash or equivalent exercise, ordinary income is realized by the participant in an amount equal to the excess, if any, of the fair market value of the common stock on the date of exercise over the option exercise price, and the Company receives a tax deduction for the same amount. Upon disposition, any difference between the participant’s tax basis in the Common Stock and the amount realized on disposition of the shares is treated as capital gain or loss.

Incentive Stock Option

If the award granted is an “incentive stock option” (as described in Section 422 of the Code), no income is realized by the participant upon award or exercise of the stock option and no compensation deduction is available to the Company at such times. If the common stock purchased upon the exercise of an incentive stock option is held by a participant for at least two years from the date of the grant of such option and for at least one year after exercise, any resulting gain is taxed, upon disposition of the common stock, at long-term capital gains rates. If the common stock purchased pursuant to the stock option is disposed of before the expiration of that period, any gain on the disposition, up to the excess of the fair market value of the common stock at the time of exercise over the option exercise price, is taxed at ordinary income rates as compensation paid to the participant, and the Company is entitled to a compensation deduction for an equivalent amount. Any amount realized on the disposition by the participant in excess of the fair market value of the Common Stock at the time of exercise is taxed at capital gains rates.

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Stock Appreciation Rights

The participant realizes no income at the time a SAR is granted, and no deduction is available to the Company at such time. When the right is exercised, ordinary income is realized by the participant in the amount of the cash and/or the fair market value of the common stock received by the participant, and the Company shall be entitled to a deduction of the same amount.

Restricted Stock Awards

Subject to Section 162(m) of the Code, discussed below, the Company receives a deduction and the participant recognizes taxable income equal to the fair market value of the restricted stock award at the time the restrictions on the stock awarded lapse, unless the participant elects to recognize such income immediately by so electing, within 30 days after the date of grant by the Company to the participant of a restricted stock award, as permitted under Section 83(b) of the Code, in which case both the Company's deduction and the participant's inclusion in income occur on the grant date. The value of any other stock award granted to participants shall be taxable as ordinary income to such participant in the year in which such stock is received, and the Company will be entitled to a corresponding tax deduction, subject to Section 162(m) of the Code.

Restricted Stock Units

If the award granted is an RSU, the participant will not recognize any income for federal income tax purposes when RSUs are granted because restricted share units are not considered to be "property" for purposes of the Code and no deduction is available to the Company at such time. After the RSUs vest and are settled, the participant will be required to treat as ordinary income an amount equal to the full fair market value of the shares of common stock and any cash received. If the participant sells the shares of common stock, the participant generally will have a taxable capital gain (or loss). Because the participant will have recognized income when any stock was distributed, the amount of this gain (or loss) is the difference between the sale price and the fair market value of the stock on the date it was distributed.

Subject to Section 162(m) of the Code, discussed below, the Company is generally entitled to a deduction equal to the amount of ordinary income recognized by the participant as the result of an RSU award. If a participant forfeits his or her RSU award, no gain or loss is recognized and no deduction is allowed.

Section 162(m) of the Internal Revenue Code

Section 162(m) of the Code generally disallows a tax deduction to public companies for compensation over $1,000,000 paid to the chief executive officer and the three other most highly compensated executive officers of the Company or any of its subsidiaries (excluding the Company's principal financial officer) in any taxable year of the Company. Qualifying performance-based compensation is not subject to this deduction limit if certain requirements are met. One requirement is stockholder approval of (i) the performance criteria upon which performance-based awards may be based, (ii) the annual participant limits on awards and (iii) the class of employees eligible to receive awards. In the case of restricted stock awards and Performance-Based Awards, other requirements generally are that objective performance goals and the amounts payable upon achievement of the goals be established by a committee of at least two "outside directors" (within the meaning of Section 162(m) of the Code) and that no discretion be retained to increase the amount payable under the awards. In the case of stock options and SARs, other requirements are that the stock option or SAR be granted by a committee of at least two "outside directors" and that the exercise price of the stock option or SAR be not less than the fair market value of the common stock subject to such award on the date of grant of the award.

Additional Medicare Tax

A recipient of an award will also be subject to a 3.8% tax on the lesser of (i) the recipient's "net investment income" for the relevant taxable year and (ii) the excess of the recipient's modified adjusted gross income for the taxable year over a certain threshold (between $125,000 and $250,000, depending on the recipient's circumstances). A recipient's net investment income generally includes net gains from the disposition of shares. Recipients are urged to consult their tax advisors regarding the applicability of this Medicare tax to their income and gains in respect of their investment in the shares.

Section 409A of the Internal Revenue Code

Section 409A of the Code covers certain nonqualified deferred compensation arrangements and generally establishes rules that must be followed with respect to covered deferred compensation arrangements in order to avoid the imposition of an additional 20% tax (plus interest) on the service provider who is entitled to receive the deferred compensation. Certain awards that may be granted under the 2015 Stock Plan may constitute "deferred compensation" within the meaning of and subject to Section 409A of the Code. While the Compensation Committee intends to administer and operate the 2015 Stock Plan and establish terms (or make required amendments) with respect to awards subject to Section 409A of the Code in a manner that will avoid the imposition of additional taxation under Section 409A of the Code upon a participant, there can be no assurance that additional taxation under Section 409A of the Code will be avoided in all cases.

Vote Required

Approval of the 2015 Stock Plan requires the affirmative vote of the holders of a majority of shares of j2 Global common stock present or represented and entitled to vote at the Annual Meeting.

THE j2 GLOBAL BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 4 – APPROVAL OF THE 2015 STOCK PLAN.

PROPOSAL 5 — AUTHORIZATION OF AN AMENDMENT OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF j2 CLOUD SERVICES, INC. TO REMOVE THE VOTING PROVISION

General

The Company is considering the conversion of its wholly owned subsidiary, j2 Cloud Services, Inc. ("j2 Cloud Services"), into a limited liability company. According to j2 Cloud Services' current certificate of incorporation, however, its conversion from a corporation into a limited liability company would require unanimous approval from the Company's stockholders, which is unrealistic for a public corporation.

The Board therefore seeks stockholder approval to amend j2 Cloud Services' Amended and Restated Certificate of Incorporation in order to remove a provision from j2 Cloud Services' Amended and Restated Certificate of Incorporation that requires the approval of the Company's stockholders of j2 Global for certain actions including such conversion. Instead, j2 Global would be able to approve the conversion as the sole stockholder of j2 Cloud Services without a vote of the stockholders of j2 Global.

Specifically, the proposed amendment would eliminate the following section from j2 Cloud Services' Amended and Restated Certificate of Incorporation (the "Voting Provision"):

Any act or transaction by or involving the Corporation, other than the election or removal of members of its Board of Directors, that requires for its adoption under the General Corporation Law of the State of Delaware or this certificate of incorporation the approval of the stockholders of the Corporation shall, pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, require, in addition, the approval of the stockholders of j2 Global, Inc., a Delaware corporation (or any successor by merger), by the same vote as is required by the General Corporation Law of the State of Delaware and/or by this Certificate of Incorporation.

A complete copy of the proposed amendment is attached to this proxy statement as Annex B.

Board Rationale

On June 10, 2014, j2 Cloud Services (formerly named j2 Global, Inc.) completed a corporate reorganization (the "Reorganization") pursuant to which j2 Cloud Services became a direct wholly owned subsidiary of a new public holding company, j2 Global. We undertook the Reorganization for the purpose of enhancing our corporate structure, strengthening our credit profile and providing greater flexibility and efficiency in managing and financing existing and future strategic operations. In connection with the Reorganization, we are also considering the distribution by j2 Cloud Services to j2 Global (the "Distribution") of certain of j2 Cloud Services' subsidiaries or other assets in furtherance of these objectives.

To enhance the benefits of the Reorganization, we are considering the conversion of j2 Cloud Services into a Delaware limited liability company (the "Conversion"). If we go forward with the Conversion, j2 Cloud Services would be treated as an entity that is disregarded as separate from j2 Global for U.S. federal income tax purposes. The Conversion would facilitate tax-efficient transactions between j2 Global and j2 Cloud Services, including with respect to the Distribution.

Under Delaware law, the conversion of a wholly owned subsidiary from a corporation into a limited liability company would not normally require a vote of the stockholders of the parent corporation. However, if the Voting Provision remains in place, the Conversion would require the unanimous approval of j2 Global's stockholders because Section 266 of the General Corporation Law of the State of Delaware requires the unanimous approval of a corporation's stockholders in order for a corporation to convert to a limited liability company. Obtaining the unanimous approval of stockholders of a public corporation is not a realistic alternative.

In addition to the foregoing reason for the elimination of the Voting Provision, the deletion of the Voting Provision will put j2 Global in the same position as substantially all other public companies that operate through multiple subsidiaries. It is exceedingly uncommon in business organizations that operate in a holding company structure for the stockholders of the holding company to have direct voting rights as to matters that affect only subsidiaries of the holding company. By lifting this requirement, j2 Global will gain the flexibility and efficiency currently realized by nearly all other companies who operate under the same, or similar, holding company and subsidiary structure.

Impact on Stockholder Rights

The amendment would have no effect on the right of stockholders of j2 Global to vote on matters relating to j2 Global, such as a merger or consolidation of j2 Global, a sale of all or substantially all of j2 Global's assets, amendments to j2 Global's certificate of incorporation, or any other acts or transactions requiring the approval of j2 Global stockholders under applicable law.

Board Recommendation; Vote Required

The Board believes that the proposed amendment to j2 Cloud Services' Amended and Restated Certificate of Incorporation is in the best interests of the Company and its stockholders based on the factors and considerations listed above, including the ability to effect the Distribution in a tax efficient manner. Accordingly, the Board recommends that the stockholders of j2 Global vote in favor of the proposed amendment, which eliminates the Voting Provision from j2 Cloud Services' Amended and Restated Certificate of Incorporation. If holders of a majority of the outstanding shares of common stock of j2 Global vote in favor of the proposal, then j2 Cloud Services will promptly file an amendment to its Amended and Restated Certificate of Incorporation with the State of Delaware to delete the Voting Provision. Abstentions from voting and broker non-votes, if any, will have the same effect as votes against the adoption of the proposal.

THE j2 GLOBAL BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 5 – AUTHORIZATION OF AN AMENDMENT OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF j2 CLOUD SERVICES, INC. TO REMOVE THE VOTING PROVISION.

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CORPORATE GOVERNANCE

j2 Global's Board of Directors has adopted Corporate Governance Principles and a Code of Business Conduct and Ethics (the "Code"), which are both posted, along with the charters for the Audit, Compensation and Corporate Governance and Nominating Committees, in the corporate governance section of j2 Global's website at http://investor.j2global.com/documents.cfm.

Corporate Governance Principles

j2 Global's Corporate Governance Principles provide guidelines that govern the qualifications and conduct of the Board of Directors. The Corporate Governance Principles are consistent with the corporate governance requirements of the Sarbanes-Oxley Act of 2002 ("SOX") and the corporate governance listing requirements applicable to companies whose securities are listed on the Nasdaq Global Select Market (the "Nasdaq listing standards"). The Corporate Governance Principles address, among other things:

- the independence and other qualifications of members of the j2 Global Board of Directors and its committees. The Corporate Governance Principles provide that a majority of the directors, and all members of the Audit, Compensation and Corporate Governance and Nominating Committees, shall be independent of j2 Global and its management;
- the functions of the Board of Directors in relation to oversight of j2 Global;
- the selection, evaluation and approval of compensation of j2 Global's executive officers;
- the organization and basic function of committees of the Board of Directors; and
- the authority of the Board of Directors and committees to engage outside advisors.

Code of Business Conduct and Ethics

j2 Global's Code of Business Conduct and Ethics applies to all directors, officers and employees of j2 Global, including j2 Global's Chief Executive Officer, President, Chief Financial Officer, and Chief Accounting Officer. The Code embodies j2 Global's commitment to conduct its business in accordance with all applicable laws, rules and regulations, and the highest ethical standards. The Code is posted on the corporate governance page of j2 Global's website, and can be accessed at http://investor.j2global.com/documents.cfm.

Board Leadership

We separate the roles of Chief Executive Officer and Chairman of the Board in recognition of the different responsibilities fulfilled by the Chief Executive Officer and the Chairman of the Board at j2 Global. The Chief Executive Officer is responsible for setting the strategic direction for j2 Global and for the day-to-day leadership and performance of j2 Global, while the Chairman of the Board provides guidance to the Chief Executive Officer and sets the agenda for, and presides over, meetings of the Board of Directors.

Director Independence

Douglas Y. Bech, Robert J. Cresci, W. Brian Kretzmer and Stephen Ross are independent directors, as defined in the Nasdaq listing standards and as determined by j2 Global's Board of Directors.

In July 2010, Congress adopted the Dodd Frank Wall Street Reform and Consumer Protection Act. As part of this legislation, Congress commissioned the SEC to issue rules requiring that members of the compensation committees of the board of directors of publicly listed companies and their compensation advisors be independent. In January 2013, the SEC approved proposed Nasdaq listing standards relating to the independence of compensation committees and their compensation advisors. The Company has reviewed the new independence criteria approved by the SEC to ensure that the members of its Compensation Committee and its compensation advisors will meet the new independence requirements.

Communications with the Board of Directors and the Audit Committee

The Board of Directors welcomes communications from stockholders and has adopted a procedure for receiving and addressing them. Interested parties may also submit complaints regarding accounting, internal accounting controls or auditing matters to j2 Global's Audit Committee. Stockholders may send written communications to the entire Board of Directors, to the Audit Committee or to individual members, addressing them to j2 Global, Inc., 6922 Hollywood Boulevard, Suite 500, Los Angeles, California 90028, Attention: Corporate Secretary. Communications by e-mail should be addressed to investor@j2global.com and marked "Attention: Corporate Secretary" in the "Subject" field.

The Board of Directors has instructed the Secretary to review all communications so received (via e-mail or otherwise), and to exercise his discretion not to forward to members of the Board of Directors correspondence that is inappropriate, such as business solicitations, frivolous communications, advertising, routine business matters (i.e., business inquiries, complaints or suggestions) and personal grievances. However, any director may at any time request the Secretary to forward any and all communications received by the Secretary but not forwarded to the Board of Directors.

Risk Management

The Board of Directors plays an active role, as a whole and also at the committee level, in overseeing management of j2 Global's risks and strategic direction. The Board of Directors regularly reviews information regarding j2 Global's liquidity and operations, as well as the risks associated with each. j2 Global's Compensation Committee is responsible for overseeing the management of risks relating to j2 Global's executive compensation plans and arrangements. The Audit Committee oversees the process by which j2 Global's senior management and the relevant departments assess and manage j2 Global's exposure to, and management of, financial risks. The Corporate Governance and Nominating Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed about such risks.

MEETINGS AND COMMITTEES OF THE BOARD

Board Meetings and Attendance at Annual Meeting

The Board of Directors of j2 Global held a total of seven meetings during 2014 and also conducted business by written consent. During 2014, each director attended at least seventy-five percent (75%) of all of the meetings of the Board of Directors and the committees of which he was a member. j2 Global encourages, but does not require, members of the Board of Directors to attend annual stockholder meetings. All of j2 Global's six directors at the time attended j2 Global's 2014 Annual Meeting of Stockholders.

Executive Sessions

In accordance with j2 Global's Corporate Governance Principles, executive sessions of non-management directors are held at least twice a year. The sessions are scheduled and chaired by the Chairman of the Audit Committee. Any non-management director can request that an additional executive session be scheduled.

Board Committees

The Board of Directors has established four standing committees: Audit, Compensation, Corporate Governance and Nominating, and Executive. The Audit, Compensation and Corporate Governance and Nominating Committees are composed solely of independent directors as defined in the Nasdaq listing standards and determined by the Board of Directors. The charters of the Audit, Compensation and Corporate Governance and Nominating Committees are each posted on the corporate governance portion of j2 Global's website at http://investor.j2global.com/documents.cfm.

Audit Committee

The Audit Committee currently consists of Messrs. Kretzmer, Ross and Cresci, who is the Chairman of the Committee. The Audit Committee is comprised solely of directors who meet all the independence standards for audit committee members as set forth in SOX, the rules of the SEC adopted pursuant to SOX and the Nasdaq listing standards. The Board of Directors has determined that each member of the Audit Committee is an "audit committee financial expert" as that term is defined in the SEC rules adopted pursuant to SOX and that he has accounting or related financial management expertise, in each case in accordance with the rules of the SEC and the Nasdaq listing standards. The Board of Directors has determined that each member of the Audit Committee is able to read and understand fundamental financial statements. The Audit Committee is responsible for, among other things, retaining and overseeing j2 Global's independent auditors, approving the services performed by them and reviewing j2 Global's financial reports and reporting process, accounting principles and its system of internal accounting controls. The Audit Committee held seven meetings in 2014. See the "Audit Committee Report" below.

Compensation Committee

The Compensation Committee currently consists of Messrs. Cresci, Ross and Bech, who is the Chairman of the Committee. The Compensation Committee is comprised solely of directors who meet all the independence standards for compensation committee members as set forth in the Nasdaq listing standards. The Compensation Committee is responsible for, among other things:

administering j2 Global's compensation programs, including its stock-based compensation plans;

reviewing the performance of j2 Global's executives and recommending to the Board of Directors, for approval by a majority of independent directors, goals and objectives, as well as compensation (including, salary, bonus and equity grants) for j2 Global's executives;

periodically evaluating compensation paid to non-management members of the Board of Directors, including monitoring the competitiveness and composition of director compensation;

recommending to the Board of Directors changes to j2 Global's compensation policies and benefits programs; and

otherwise seeking to ensure that j2 Global's compensation philosophy is consistent with j2 Global's best interests and is properly implemented.

The Compensation Committee also has the authority to retain and terminate compensation consultants. The Compensation Committee retained Pearl Meyer & Partners, LLC ("Pearl Meyer") as its compensation consultant for fiscal 2014, to provide information to the Compensation Committee related to compensation of our Board of Directors.

The Compensation Committee's charter does not provide for the delegation of the Compensation Committee's responsibilities. The Compensation Committee held five meetings in 2014. See the "Compensation Committee Report" below.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee currently consists of Messrs. Kretzmer and Bech, who is the Chairman of the Corporate Governance and Nominating Committee. Mr. Miller also serves as a non-voting member of the Corporate Governance and Nominating Committee for 2015, and is expected to become a voting member in 2016. The Corporate Governance and Nominating Committee is responsible for, among other things:

identifying, evaluating and nominating qualified individuals to become director nominees at j2 Global's annual meetings of stockholders or to fill vacancies occurring between annual meetings of stockholders;

recommending members of the Board of Directors for nomination to, or to fill vacancies on, the standing committees of the Board of Directors;

developing and recommending to the Board of Directors standards for addressing conflicts of interest;

developing, recommending to the Board of Directors and reviewing j2 Global's Corporate Governance Principles; and

evaluating the performance of the Board of Directors and its committees.

The Corporate Governance and Nominating Committee has not established specific minimum age, education, experience or skill requirements for potential director nominees. In selecting director nominees, the Corporate Governance and Nominating Committee takes into consideration various factors to find candidates that will be able to represent the interests of the stockholders, including judgment, skill, diversity, integrity, educational background, experience with businesses and other organizations of a comparable size, the interplay of the candidate&# more of the Corporation s total assets and operating results. Therefore, the Corporation has only one operating segment and no segment reporting is required.

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Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations

The following is management s discussion and analysis of the major factors that influenced Isabella Bank Corporation s financial performance. This analysis should be read in conjunction with the Corporation s 2009 annual report and with the unaudited interim condensed consolidated financial statements and notes, beginning on page 3 of this report.

CRITICAL ACCOUNTING POLICIES

A summary of the Corporation s significant accounting policies is set forth in Note 1 of the Consolidated Financial Statements included in the Corporation s Annual Report for the year ended December 31, 2009. Of these significant accounting policies, the Corporation considers its policies regarding the allowance for loan losses, acquisition intangibles (including goodwill), and the determination of the fair value of investment securities to be its most critical accounting policies.

The allowance for loan losses requires management s most subjective and complex judgment. Changes in economic conditions can have a significant impact on the allowance for loan losses and, therefore, the provision for loan losses and results of operations. The Corporation has developed appropriate policies and procedures for assessing the appropriateness of the allowance for loan losses, recognizing that this process requires a number of assumptions and estimates with respect to its loan portfolio. The Corporation s assessments may be impacted in future periods by changes in economic conditions, and the discovery of information with respect to borrowers which is not known to management at the time of the issuance of the consolidated financial statements. For additional discussion concerning the Corporation s allowance for loan losses and related matters, see the Corporation s 2009 Annual Report and the following discussion herein.

Accounting principles generally accepted in the United States of America require that the Corporation determine the fair value of the assets and liabilities of an acquired entity, and record their fair value on the date of acquisition. The Corporation employs a variety of measures in the determination of the fair value, including the use of discounted cash flow analysis, market appraisals, and projected future revenue streams. For certain items that management believes it has the appropriate expertise to determine the fair value, management may choose to use its own calculations of the value. In other cases, where the value is not easily determined, the Corporation consults with outside parties to determine the fair value of the identified asset or liability. Once valuations have been adjusted, the net difference between the price paid for the acquired entity and the value of its balance sheet, including identifiable intangibles, is recorded as goodwill. This goodwill is not amortized, but is tested for impairment on at least an annual basis.

The Corporation currently has both available-for-sale and trading investment securities that are carried at fair value. Changes in the fair value of available-for-sale investment securities are included as a component of other comprehensive income, while declines in the fair value of these securities below their cost that are other than temporary would be reflected as realized losses. The change in value of trading investment securities is included in current earnings. Management evaluates securities for indications of losses that are considered other-than-temporary, if any, on a regular basis. The market values for available-for-sale and trading investment securities are typically obtained from outside sources and applied to individual securities within the portfolio. The fair values of investment securities with illiquid markets are estimated by management utilizing a discounted cash flow analysis or other type of valuation adjustment methodology. These securities are also compared, when possible, to other securities with similar characteristics.

RESULTS OF OPERATIONS

The following table outlines the results of operations for the three month periods ended March 31, 2010 and 2009.

	Three Months Ended March 31	
	2010	2009
INCOME STATEMENT DATA		
Net interest income	$ 9,699	$ 9,445
Provision for loan losses	1,207	1,472
Net income	2,023	1,329
PER SHARE DATA		
Earnings per share:		
Basic	$ 0.27	$ 0.18
Diluted	0.26	0.17
Cash dividends per common share	0.18	0.12
Book value (at end of period)	18.89	18.01
RATIOS		
Average primary capital to average assets	13.42%	13.07%
Net income to average assets (annualized)	0.71	0.47
Net income to average equity (annualized)	5.68	3.83
Net income to average tangible equity (annualized)	8.66	5.91

Isabella Bank Corporation, as well as all other financial institutions in Michigan and across the entire country, has felt the negative impacts of the current economic recession. This recession, which began in 2008, has resulted in historically high levels of loan delinquencies and nonaccrual loans, which have translated into increases in net loans charged off and foreclosed asset and collection expenses. Despite the current economic downturn, the Corporation continues to be profitable, with net income of $2,023 for the three month period ended March 31, 2010. The Corporation s nonperforming loans represented 1.21% of total loans as of March 31, 2010 which declined from 1.28% as of December 31, 2009. The ratio of nonperforming loans to total loans for all banks in the state of Michigan was 4.43% as of December 31, 2009 (March 31, 2010 state of Michigan ratios are not yet available). The Corporation s interest margins also continue to be strong, as the net yield on interest earning assets (on a fully tax equivalent basis) improved to 4.04% for the three months ended March 31, 2010 compared to 3.97% for the same period in 2009. For further detailed discussion and analysis, see below.

Net Interest Income

Net interest income equals interest income less interest expense and is the primary source of income for the Corporation. Interest income includes loan fees of $403 for the three month period March 31, 2010, as compared to $450 during the same period in 2009. For analytical purposes, net interest income is adjusted to a taxable equivalent basis by adding the income tax savings from interest on tax-exempt loans and securities, thus making year-to-year comparisons more meaningful.

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AVERAGE BALANCES, INTEREST RATE, AND NET INTEREST INCOME

The following schedules present the daily average amount outstanding for each major category of interest earning assets, nonearning assets, interest bearing liabilities, and noninterest bearing liabilities. This schedule also presents an analysis of interest income and interest expense for the periods indicated. All interest income is reported on a fully taxable equivalent (FTE) basis using a 34% tax rate. Non accruing loans, for the purpose of the following computations, are included in the average loan amounts outstanding. Federal Reserve and Federal Home Loan Bank restricted equity holdings are included in other.

The following table displays the results for the three month periods ended March 31:

	2010			2009		
	Average Balance	Tax Equivalent Interest	Average Yield / Rate	Average Balance	Tax Equivalent Interest	Average Yield / Rate
INTEREST EARNING ASSETS:						
Loans	$ 724,194	$ 11,517	6.36%	$ 729,011	$ 11,898	6.53%
Taxable investment securities	142,075	1,279	3.60%	122,868	1,287	4.19%
Nontaxable investment securities	118,767	1,756	5.91%	121,594	1,808	5.95%
Trading account securities	11,022	141	5.12%	20,601	252	4.89%
Federal funds sold				3,260	1	0.12%
Other	33,739	104	1.23%	24,195	118	1.95%
Total earning assets	1,029,797	14,797	5.75%	1,021,529	15,364	6.02%
NON EARNING ASSETS:						
Allowance for loan losses	(13,395)			(12,068)		
Cash and due from banks	16,110			19,639		
Premises and equipment	24,323			23,648		
Accrued income and other assets	90,423			89,559		
Total assets	$ 1,147,258			$ 1,142,307		
INTEREST BEARING LIABILITIES:						
Interest bearing demand deposits	$ 133,839	35	0.10%	$ 118,989	33	0.11%
Savings deposits	165,901	89	0.21%	179,330	102	0.23%
Time deposits	417,030	2,759	2.65%	387,184	3,492	3.61%
Borrowed funds	186,079	1,517	3.26%	217,749	1,601	2.94%
Total interest bearing liabilities	902,849	4,400	1.95%	903,252	5,228	2.32%

NONINTEREST BEARING LIABILITIES:						
Demand deposits	93,560			93,479		
Other	8,444			6,807		
Shareholders equity	142,405			138,769		
Total liabilities and shareholders equity	$1,147,258			$ 1,142,307		
Net interest income (FTE)		$ 10,397			$ 10,136	
Net yield on interest earning assets (FTE)			4.04%			3.97%

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VOLUME AND RATE VARIANCE ANALYSIS

The following table sets forth the effect of volume and rate changes on interest income and expense for the periods indicated. For the purpose of this table, changes in interest due to volume and rate were determined as follows:

Volume Variance change in volume multiplied by the previous year s rate.

Rate Variance change in the fully taxable equivalent (FTE) rate multiplied by the prior year s volume.

The change in interest due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

	Three Months Ended March 31, 2010 Compared to March 31, 2009 (Decrease) Increase Due to		
	Volume	Rate	Net
CHANGES IN INTEREST INCOME:			
Loans	$ (78)	$ (303)	$ (381)
Taxable investment securities	186	(194)	(8)
Nontaxable investment securities	(42)	(10)	(52)
Trading account securities	(122)	11	(111)
Federal funds sold	(1)		(1)
Other	38	(52)	(14)
Total changes in interest income	(19)	(548)	(567)
CHANGES IN INTEREST EXPENSE:			
Interest bearing demand deposits	4	(2)	2
Savings deposits	(7)	(6)	(13)
Time deposits	253	(986)	(733)
Borrowed funds	(247)	163	(84)
Total changes in interest expense	3	(831)	(828)
Net change in interest margin (FTE)	$ (22)	$ 283	$ 261

The Corporation s net yield on interest earning assets increased by 0.07% when the first 3 months of 2010 are compared to the same period in 2009. The main factor contributing to the increase is that interest rates paid on interest bearing liabilities have declined faster than those earned on interest earning assets. When the three month period ended March 31, 2010 is compared to the three month period ended December 31, 2009, the net yield on interest earning assets has declined by 0.05%.

Despite an increase in interest earning assets of $8,268 from March 31, 2009 to March 31, 2010, overall interest income decreased as a result of a change in the mix of interest earning assets. The decline in loans was offset with an increase in investment securities as well as other interest earning assets, which have a lower average yield than loans.

The Corporation anticipates that net interest margin yield will decline during 2010 due to the followings factors:

Based on the current economic conditions, management does not anticipate any changes in the target Fed Funds rate until at least the fourth quarter of 2010. As such, the Corporation does not anticipate significant, if any, changes in market rates. However, there is the potential for declines in rates earned on interest earning assets. Most of the potential declines would arise out of the Corporation s investment portfolio, as securities, which are either called or matured during 2010, will likely be reinvested at lower rates.

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While long term residential mortgage rates have increased during the first three months of 2010, they are still at historically low levels. This rate environment has led to strong consumer demand for fixed rate mortgage products which are generally sold to the secondary market. As a result, there has been a significant decline in three and five year balloon mortgages, which are held on the Corporation s balance sheet. As these balloon mortgages have paid off, the proceeds from these loans have been reinvested (typically in the form of available-for-sale investment securities) at lower interest rates which has adversely impacted interest income.

While the Corporation s liability sensitive balance sheet has allowed it to benefit from decreases in interest rates, it also makes the Corporation extremely sensitive to increases in deposit and borrowing rates. As part of the Corporation s goal to minimize the potential negative impacts of possible increases in future interest rates, management is actively working to lengthen the terms of its interest bearing liabilities. This lengthening has increased the Corporation s cost of funding, reducing net interest income in the short term.

In an effort to reduce the potential long term negative impact of increases in rates paid on interest bearing liabilities, the Corporation will continue to grow its balance sheet through the acquisition of investment securities. These investments will be funded through deposit growth and wholesale borrowings. The net interest margin generated by the purchase of these investments is anticipated to be less than 2.0%, lowering the net FTE yield, but providing additional net interest income.

Allowance for Loan Losses

The viability of any financial institution is ultimately determined by its management of credit risk. Loans outstanding represent the Corporation s single largest concentration of risk. The allowance for loan losses is management s estimation of potential losses inherent in the existing loan portfolio. Factors used to evaluate the loan portfolio, and thus to determine the current charge to expense, include recent loan loss history, financial condition of borrowers, amount of nonperforming and impaired loans, overall economic conditions and other factors. The following table summarizes the Corporation s charge off and recovery activity for the three month periods ended March 31:

	2010	2009	Variance
Allowance for loan losses January 1	$ 12,979	$ 11,982	$ 997
Loans charged off			
Commercial and agricultural	506	1,372	(866)
Real estate mortgage	983	246	737
Consumer	114	220	(106)
Total loans charged off	**1,603**	**1,838**	**(235)**
Recoveries			
Commercial and agricultural	158	147	11
Real estate mortgage	152	63	89
Consumer	94	99	(5)
Total recoveries	**404**	**309**	**95**
Net loans charged off	1,199	1,529	(330)
Provision for loan losses	1,207	1,472	(265)
Allowance for loan losses March 31	**$ 12,987**	**$ 11,925**	**$ 1,062**
Year to date average loans outstanding	**$ 724,194**	**$ 729,011**	**$ (4,817)**
Net loans charged off to average loans outstanding	**0.17%**	**0.21%**	**-0.04%**

Total amount of loans outstanding	**$ 726,165**	**$ 723,428**	**$ 2,737**
Allowance for loan losses as a % of loans	**1.79%**	**1.65%**	**0.14%**

In the past two years, residential real estate values in the Corporation s market areas have declined 20% to 40%. These declines are the result of increases in the inventory of unsold homes. This increased inventory is partially the result of the inability of potential home buyers to obtain financing due to the tightening of loan underwriting criteria by many financial institutions, brokers and government sponsored agencies. While the Corporation has maintained traditional lending standards, the decline in real estate values has had an adverse impact on customers who are experiencing financial difficulties. Historically, customers who experienced

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difficulties were able to sell their properties for more than the loan balance owed. The steep decline in real estate values has diminished homeowner equity and led borrowers who are experiencing financial difficulties to default on their mortgage loans.

The Corporation originates and sells fixed rate residential real estate mortgages to the Federal Home Loan Mortgage Corporation (Freddie Mac). The Corporation has not originated loans for either trading or its own portfolio that would be classified as subprime, nor has it originated adjustable rate mortgages or financed loans for more than 80% of market value unless insured by private third party insurance.

While the Corporation has elected not to participate in the U.S. Treasury s Making Home Affordable Program , it has taken aggressive actions to avoid foreclosures on borrowers who are willing to work with the Corporation in modifying their loans, thus making them more affordable. Actions taken include extensions of amortizations, temporary reductions in interest rates and, when necessary, a reduction in the principal balance owed.

As shown in the preceding table, when comparing the first three months of 2010 to the same period in 2009, net loans charged off decreased by $330. This improvement allowed the Corporation to reduce its provision for loan losses in the first quarter 2010 by $337 when compared to the fourth quarter of 2009. While there have been marked improvements in the level of net loans charged off and nonperforming assets, which has contributed to the Corporation s ability to reduce its provision for loan losses, the overall local, regional and national economies have yet to show consistent improvement.

Based on management s analysis, the allowance for loan losses of $12,987 is considered appropriate as of March 31, 2010. Management will continue to closely monitor its overall credit quality during 2010 to ensure that the allowance for loan losses remains appropriate.

NONPERFORMING ASSETS

	March 31 2010	December 31 2009	Change
Nonaccrual loans	$ 8,211	$ 8,522	$ (311)
Accruing loans past due 90 days or more	577	768	(191)
Total nonperforming loans	**8,788**	**9,290**	**(502)**
Other real estate owned (OREO)	1,159	1,141	18
Repossessed assets	5	16	(11)
Total nonperforming assets	**$ 9,952**	**$ 10,447**	**$ (495)**
Nonperforming loans as a % of total loans	**1.21%**	**1.28%**	**-0.07%**
Nonperforming assets as a % of total assets	**0.86%**	**0.91%**	**-0.05%**

RESTRUCTURED LOANS

	March 31 2010	December 31 2009	Change
Complying with modified terms	$ 3,367	$ 2,754	$ 613
Past due 30-89 days	106	107	(1)
Nonaccrual	1,863	2,116	(253)
Total restructured loans	$ 5,336	$ 4,977	$ 359

Loans are placed in nonaccrual status when the foreclosure process has begun, generally after a loan is 90 days past due, unless there is an abundance of collateral. Upon transferring the loans to nonaccrual status, an evaluation to determine the net realizable value of the underlying collateral is performed. This evaluation is used to help determine if any charge downs are necessary.

Since December 31, 2009, the Corporation s nonperforming loans have declined while restructured loans have increased. The majority of the increase in restructured loans is the result of the Corporation working with borrowers to develop a payment structure that will allow them to continue making payments in lieu of foreclosure.

Management has devoted considerable attention to identifying loans for which inherent losses are probable and adjusting the value of these loans to their current net realizable values. To management s knowledge, there are no other loans which cause management to have serious doubts as to the ability of a borrower to comply with their loan repayment terms. A continued decline in real estate

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values may require further write downs of loans in foreclosure and other real estate owned and could potentially have an adverse impact on the Corporation s financial performance.

As of March 31, 2010, there were no other interest bearing assets which required classification. Management is not aware of any recommendations by regulatory agencies that, if implemented, would have a material impact on the Corporation s liquidity, capital, or operations.

NONINTEREST INCOME AND EXPENSES

Noninterest Income

Noninterest income consists of trust fees, deposit service charges, fees for other financial services, gains on the sale of mortgage loans, and other. Significant account balances are highlighted in the accompanying tables with additional descriptions of significant fluctuations:

	Three Months Ended March 31			
			Change	
	2010	2009	$	%
Service charges and fee income				
NSF and overdraft fees	$ 710	$ 729	$ (19)	-2.6%
ATM and debit card fees	345	275	70	25.5%
Trust fees	194	197	(3)	-1.5%
Freddie Mac servicing fee	188	164	24	14.6%
Service charges on deposit accounts	80	82	(2)	-2.4%
Net originated mortgage servicing rights income (loss)	75	(132)	207	N/M
All other	36	34	2	5.9%
Total service charges and fees	**1,628**	**1,349**	**279**	**20.7%**
Gain on sale of mortgage loans	**93**	**268**	**(175)**	**-65.3%**
Net (loss) gain on trading securities	**(1)**	**87**	**(88)**	**-101.1%**
Net gain on borrowings measured at fair value	**56**	**143**	**(87)**	**-60.8%**
Gain on sale of available for sale investment securities	**56**	**221**	**(165)**	**-74.7%**
Other				
Earnings on corporate owned life insurance policies	169	176	(7)	-4.0%
Brokerage and advisory fees	143	101	42	41.6%
All other	23	12	11	91.7%
Total other	**335**	**289**	**46**	**15.9%**
Total noninterest income	**$ 2,167**	**$ 2,357**	**$ (190)**	**-8.1%**

Significant changes in noninterest income are detailed below:

Management continuously analyzes various fees related to deposit accounts including: service charges, NSF and overdraft fees and ATM and debit card fees. Based on these analyses, the Corporation makes any necessary adjustments to ensure that its fee structure is within the range of its competitors, while at the same time making sure that the fees remain fair to deposit customers. NSF and overdraft fees have been declining over the past two years. This decline is a result of customers more closely managing their deposit accounts to avoid paying overdraft fees. The Corporation anticipates that NSF and overdraft fees will decline in the third quarter of 2010 as a result of new legislation that will be implemented related to NSF and overdraft fees. Management is in the process of reviewing other deposit fees.

The increases in ATM and debit card fees are primarily the result of the increased usage of debit cards by customers. As management does not anticipate any significant changes to the ATM and debit card fee structures, these fees are expected to continue to increase as the usage of debit cards increases.

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As a result of lower than normal residential mortgage rates, the Corporation has experienced increases in the volume of loans sold to Freddie Mac since the fourth quarter of 2008. This high volume led to increases in gains from the sale of mortgage loans in the first quarter of 2009. The volume of new mortgage activity has returned to more normal levels, leading to a decline in the gain on sale of mortgage loans compared to the same period in 2009. The Corporation is now seeing increases in Freddie Mac servicing fees and net originated mortgage servicing rights (OMSR) as the pool of serviced loans has increased by $42,136 since March 31, 2009. As refinancing activity is expected to decline, the Corporation anticipates net OMSR income to decline throughout the remainder of the year. The Corporation anticipates that Freddie Mac servicing fees and gains from the sale of mortgage loans will approximate current levels for the remainder of 2010.

Fluctuations in the gains and losses related to trading securities and borrowings carried at fair market value are caused by interest rate variances. Management does not anticipate any significant fluctuations in net trading activities for the remainder of the year as significant interest rate changes are not expected.

The Corporation is continuously analyzing its available-for-sale investment portfolio to take advantage of selling opportunities that would generate gains. Currently, management does not anticipate any significant sales throughout the remainder of 2010.

Fees generated from brokerage and advisory services have been steadily increasing for the past few years. This has been the result of staff additions as well as a conscious effort by management to expand the Corporation s presence in its local market. Management anticipates this trend to continue throughout 2010.

The fluctuations in all other income are spread throughout various categories, none of which are individually significant.

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Noninterest Expenses

Noninterest expenses include compensation and benefits, occupancy, furniture and equipment, FDIC insurance premiums, and other expenses. Significant account balances are highlighted in the accompanying tables with additional descriptions of significant fluctuations:

	Three Months Ended March 31			
			Change	
	2010	2009	$	%
Compensation and benefits				
Leased employee salaries	$ 3,377	$ 3,280	$ 97	3.0%
Leased employee benefits	1,213	1,391	(178)	-12.8%
All other	5	5		0.0%
Total compensation and benefits	**4,595**	**4,676**	**(81)**	**-1.7%**
Occupancy				
Depreciation	145	132	13	9.8%
Outside services	124	103	21	20.4%
Utilities	123	122	1	0.8%
Property taxes	114	114		0.0%
Building repairs	39	41	(2)	-4.9%
All other	17	17		0.0%
Total occupancy	**562**	**529**	**33**	**6.2%**
Furniture and equipment				
Depreciation	453	450	3	0.7%
Computer / service contracts	429	410	19	4.6%
ATM and debit card expenses	142	144	(2)	-1.4%
All other	7	12	(5)	-41.7%
Total furniture and equipment	**1,031**	**1,016**	**15**	**1.5%**
FDIC insurance premiums	**306**	**885**	**(579)**	**-65.4%**
Other				
Marketing and community relations	372	184	188	102.2%
Audit and SOX compliance fees	245	187	58	31.0%
Directors fees	209	221	(12)	-5.4%
Foreclosed asset and collection	199	164	35	21.3%
Education and travel	114	78	36	46.2%
Printing and supplies	96	220	(124)	-56.4%
Amortization of deposit premium	86	95	(9)	-9.5%
Postage and freight	83	127	(44)	-34.6%
Legal	83	117	(34)	-29.1%
Consulting	46	50	(4)	-8.0%
All other	327	495	(168)	-33.9%
Total other	**1,860**	**1,938**	**(78)**	**-4.0%**

Total noninterest expenses	**$ 8,354**	**$ 9,044**	**$ (690)**	**-7.6%**

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Significant changes in noninterest expenses are detailed below:

Salaries and hourly wages increased slightly due to annual merit increases and the continued growth of the Corporation.

Leased employee benefits declined primarily as a result of decreases in the Corporation s health care claims.

FDIC insurance premium expense has decreased primarily as a result of an FDIC special assessment of $479, which was paid in September 2009, but was fully accrued as of March 31, 2009.

Audit and SOX compliance fees increased in the first three months of 2010, when compared to the same period in 2009, as more of the 2009 year-end audit procedures and reviews were performed subsequent to December 31, 2009.

Marketing and community relations expenses have primarily increased as a result of the Corporation increasing its charitable contributions during the first quarter of 2010. Management anticipates that marketing and community relations expenses will decline slightly over the remainder of 2010.

Printing and supplies expenses were historically high in the first three months of 2009 as a result of the Corporation increasing inventories of various supplies. Printing and supplies expenses are expected to approximate current levels for the remainder of 2010.

The Corporation places a strong emphasis on customer service. In February 2010, all of the Corporation s employees attended a special customer service seminar, which contributed to the increase in education and travel expenses. These expenses are expected to decline slightly throughout the remainder of 2010.

Postage and freight expenses have declined as a result of fewer special mailings as well as an increase in the Corporation s customers usage of electronic statements.

While legal expenses have declined in comparison to 2009, legal and foreclosed asset and collection expenses continue to be at historically high levels. Management anticipates that these expenses will approximate current levels throughout the remainder of 2010.

The fluctuations in all other expenses are spread throughout various categories, none of which are individually significant.

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ANALYSIS OF CHANGES IN FINANCIAL CONDITION

	March 31 2010	December 31 2009	$ Change	% Change
ASSETS				
Cash and cash equivalents	$ 19,038	$ 22,706	$ (3,668)	-16.15%
Certificates of deposit held in other financial institutions	6,580	7,156	(576)	-8.05%
Trading securities	9,611	13,563	(3,952)	-29.14%
Available-for-sale securities	277,094	259,066	18,028	6.96%
Mortgage loans available-for-sale	482	2,281	(1,799)	-78.87%
Loans	726,165	723,316	2,849	0.39%
Allowance for loan losses	(12,987)	(12,979)	(8)	0.06%
Premises and equipment	24,281	23,917	364	1.52%
Acquisition intangibles and goodwill, net	47,343	47,429	(86)	-0.18%
Equity securities without readily determinable fair values	17,783	17,921	(138)	-0.77%
Other assets	40,148	39,568	580	1.47%
TOTAL ASSETS	$ 1,155,538	$ 1,143,944	$ 11,594	1.01%
LIABILITIES AND SHAREHOLDERS EQUITY				
Liabilities				
Deposits	$ 819,536	$ 802,652	$ 16,884	2.10%
Other borrowed funds	185,707	193,101	(7,394)	-3.83%
Accrued interest and other liabilities	7,825	7,388	437	5.91%
Total liabilities	1,013,068	1,003,141	9,927	0.99%
Shareholders equity	142,470	140,803	1,667	1.18%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 1,155,538	$ 1,143,944	$ 11,594	1.01%

As shown above, the Corporation has intentionally increased its balance sheet through the acquisition of available-for-sale investment securities, which is consistent with its plan to increase net interest income. Investment securities are expected to continue to increase throughout 2010.

The following table outlines the changes in the loan portfolio:

	March 31 2010	December 31 2009	$ Change	% Change (unannualized)
Commercial	$ 347,125	$ 340,274	$ 6,851	2.01%
Agricultural	65,866	64,845	1,021	1.57%
Residential real estate mortgage	280,889	285,838	(4,949)	-1.73%

Installment	32,285	32,359	(74)	-0.23%
	$ 726,165	$ 723,316	$ 2,849	0.39%

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The following table outlines the changes in the deposit portfolio:

	March 31 2010	December 31 2009	$ Change	% Change (unannualized)
Noninterest bearing demand deposits	$ 95,440	$ 96,875	$ (1,435)	-1.48%
Interest bearing demand deposits	129,824	128,111	1,713	1.34%
Savings deposits	172,969	157,020	15,949	10.16%
Certificates of deposit	354,305	356,594	(2,289)	-0.64%
Brokered certificates of deposit	52,225	50,933	1,292	2.54%
Internet certificates of deposit	14,773	13,119	1,654	12.61%
Total	$ 819,536	$ 802,652	$ 16,884	2.10%

As shown in the preceding table the growth in deposits since December 31, 2009 came primarily in the form of savings deposits, which includes increases in money market accounts as well as other savings accounts. Total deposit accounts are expected to increase slightly over the remainder of 2010, with much of the growth coming in the form of certificates of deposits as the Corporation s intent is to lengthen the repricing of its interest bearing liabilities.

Capital

The capital of the Corporation consists solely of common stock, retained earnings and accumulated other comprehensive loss. The Corporation offers dividend reinvestment and employee and director stock purchase plans. Under the provisions of these plans, the Corporation issued 29,147 shares or $736 of common stock during the first three months of 2010, as compared to 20,977 shares or $478 of common stock during the same period in 2009. The Corporation also offers share-based payment awards through its equity compensation plan. Pursuant to this plan, the Corporation increased common stock by $181 and $184 during the three month periods ended March 31, 2010 and 2009, respectively.

The Board of Directors has approved a common stock repurchase plan to enable the Corporation to repurchase its common stock for reissuance to the dividend reinvestment plan, the employee stock purchase plan and for distributions of share-based payment awards. During the first three months of 2010 and 2009, pursuant to this plan, the Corporation repurchased 34,165 shares of common stock at an average price of $18.41 and 24,428 shares of common stock at an average price of $23.25, respectively. As of March 31, 2010, the Corporation was authorized to repurchase up to an additional 44,267 shares of common stock.

Accumulated other comprehensive loss decreased $815 for the three month period ended March 31, 2009, net of tax. The decrease is a result of unrealized gains on available-for-sale investment securities. Management has reviewed the credit quality of its bond portfolio and believes that there are no losses that are other-than-temporary.

There are no significant regulatory constraints placed on the Corporation s capital. The Federal Reserve Board s current recommended minimum primary capital to assets requirement is 6.0%. The Corporation s primary capital to adjusted average assets, which consists of shareholders equity plus the allowance for loan losses less acquisition intangibles, was 8.52% as of March 31, 2010.

There are no commitments for significant capital expenditures for the remainder of 2010.

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The Federal Reserve Board has established a minimum risk based capital standard. Under this standard, a framework has been established that assigns risk weights to each category of on and off-balance-sheet items to arrive at risk adjusted total assets. Regulatory capital is divided by the risk adjusted assets with the resulting ratio compared to the minimum standard to determine whether a corporation has adequate capital. The minimum standard is 8%, of which at least 4% must consist of equity capital net of goodwill. The following table sets forth the percentages required under the Risk Based Capital guidelines and the Corporation s values at:

	March 31 2010	December 31 2009	Required
Equity Capital	12.22%	12.80%	4.00%
Secondary Capital	1.25%	1.25%	4.00%
Total Capital	13.47%	14.05%	8.00%

Isabella Bank Corporation s secondary capital includes only the allowance for loan losses. The percentage for the secondary capital under the required column is the maximum amount allowed from all sources.

The Federal Reserve and FDIC also prescribe minimum capital requirements for the Bank. At March 31, 2010, the Bank exceeded these minimum capital requirements. There is currently proposed legislation to increase the level of capital for banks. This increase in capital levels may have an adverse impact on the Corporation s ability to grow and pay dividends.

Liquidity

The primary sources of the Corporation s liquidity are cash and demand deposits due from banks, certificates of deposit held in other financial institutions, trading securities, and available-for-sale securities, excluding money market preferred securities and preferred stocks due to their illiquidity as of March 31, 2010 and December 31, 2009. These categories totaled $302,429 or 26.2% of assets as of March 31, 2010 as compared to $292,464 or 25.6% as of December 31, 2009. Liquidity is important for financial institutions because of their need to meet loan funding commitments, depositor withdrawal requests and various other commitments including expansion of operations, investment opportunities, and payment of cash dividends. On a daily basis, liquidity varies significantly, based on customer activity.

Historically, the primary source of funds for the Corporation has been deposits. The Corporation emphasizes interest-bearing time deposits as part of its funding strategy. The Corporation also seeks noninterest bearing deposits, or checking accounts, which reduce the Corporation s cost of funds in an effort to expand the customer base. However, as the competition for core deposits continues to increase, the Corporation has become more dependent on borrowings and other noncore funding sources to fund its growth.

In addition to these primary sources of liquidity, the Corporation has the ability to borrow in the federal funds market at the Federal Reserve Bank, the Federal Home Loan Bank, as well as other correspondent banks. The Corporation s liquidity is considered adequate by the management of the Corporation.

The following table summarizes the Corporation s sources and uses of cash for the three month periods ended March 31:

	2010	2009	$ Variance
Net cash provided by operating activities	$ 9,416	$ 302	$ 9,114
Net cash (used in) provided by investing activities	(21,278)	7,294	(28,572)
Net cash provided by (used in) financing activities	8,194	(15,513)	23,707
Decrease in cash and cash equivalents	(3,668)	(7,917)	4,249
Cash and cash equivalents January 1	22,706	22,979	(273)

Cash and cash equivalents March 31	$ 19,038	$ 15,062	$ 3,976

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Net cash provided by operating activities increased due to:

- An increase in the volume of maturities, calls and sales of trading securities.
- A net decrease in the level of loans held for sale in the first three months of 2010 as compared to an increase in the same period in 2009.

Investing activities used cash in 2010 as compared to providing cash in 2009 due to:

- A reduction in the volume of maturities, calls and sales of available-for-sale securities.
- A net increase in loans in 2010 as compared to a decrease in 2009.

Financing activities provided cash in 2010 as compared to using cash in 2009 due to:

- Deposit account balances increasing more in 2010 than in 2009.
- The Corporation reducing its borrowed funds less in 2010 than in 2009.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET ARRANGEMENTS

The Corporation is party to financial instruments with off-balance-sheet risk. These instruments are entered into in the normal course of business to meet the financing needs of its customers. These financial instruments, which include commitments to extend credit and standby letters of credit, involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. The contract or notional amounts of these instruments reflect the extent of involvement the Corporation has in a particular class of financial instruments. The Corporation s exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. The Corporation uses the same credit policies in deciding to make these commitments as it does for extending loans to customers.

Commitments to extend credit, which include unfunded commitments to grant loans and unfunded commitments under lines of credit, totaled $125,201 and $121,356 as of March 31, 2010 and December 31, 2009, respectively. Commitments generally have variable interest rates, fixed expiration dates, or other termination clauses and may require the payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The Corporation had a total of $4,441 and $6,509 in outstanding standby letters of credit as of March 31, 2010 and December 31, 2009, respectively.

Generally, these commitments to extend credit and letters of credit mature within one year. The credit risk involved in these transactions is essentially the same as that involved in extending loans to customers. The Corporation evaluates each customer s credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon the extension of credit, is based on management s credit evaluation of the borrower. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and other income producing commercial properties.

Forward Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Corporation intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Corporation, are generally identifiable by use of the words believe, expect, intend, anticipate, estimate, project, or similar expressions. The Corporation s ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on

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the operations and future prospects of the Corporation and its subsidiaries include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, fluctuation in the value of collateral securing our loan portfolio, deposit flows, competition, demand for financial services in the Corporation s market area, and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Corporation and its business, including additional factors that could materially affect the Corporation s financial results, is included in the Corporation s filings with the Securities and Exchange Commission.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

The Corporation s primary market risks are interest rate risk and, to a lesser extent, liquidity risk. The Corporation has very limited foreign exchange risk and does not utilize interest rate swaps or derivatives in the management of its interest rate risk. The Corporation does have a significant amount of loans extended to borrowers involved in agricultural production. Cash flow and ability to service debt of such customers is largely dependent on growing conditions and the commodity prices for corn, soybeans, sugar beets, milk, beef and a variety of dry beans. The Corporation mitigates these risks by using conservative price and production yields when calculating a borrower s available cash flow to service their debt.

Interest rate risk (IRR) is the exposure to the Corporation s net interest income, its primary source of income, to changes in interest rates. IRR results from the difference in the maturity or repricing frequency of a financial institution s interest earning assets and its interest bearing liabilities. Interest rate risk is the fundamental method by which financial institutions earn income and create shareholder value. Excessive exposure to interest rate risk could pose a significant risk to the Corporation s earnings and capital.

The Federal Reserve, the Corporation s primary Federal regulator, has adopted a policy requiring the Board of Directors and senior management to effectively manage the various risks that can have a material impact on the safety and soundness of the Corporation. The risks include credit, interest rate, liquidity, operational, and reputational. The Corporation has policies, procedures and internal controls for measuring and managing these risks. Specifically, the IRR policy and procedures include defining acceptable types and terms of investments and funding sources, liquidity requirements, limits on investments in long term assets, limiting the mismatch in repricing opportunity of assets and liabilities, and the frequency of measuring and reporting to the Board of Directors.

The Corporation uses two main techniques to manage interest rate risk. The first method is gap analysis. Gap analysis measures the cash flows and/or the earliest repricing of the Corporation s interest bearing assets and liabilities. This analysis is useful for measuring trends in the repricing characteristics of the balance sheet. Significant assumptions are required in this process because of the imbedded repricing options contained in assets and liabilities. A substantial portion of the Corporation s assets are invested in loans and investment securities. These assets have imbedded options that allow the borrower to repay the balance prior to maturity without penalty. The amount of prepayments is dependent upon many factors, including the interest rate of a given loan in comparison to the current interest rates; for residential mortgages the level of sales of used homes; and the overall availability of credit in the market place. Generally, a decrease in interest rates will result in an increase in the Corporation s cash flows from these assets. Investment securities, other than those that are callable, do not have any significant imbedded options. Savings and checking deposits may generally be withdrawn on request without prior notice. The timing of cash flow from these deposits is estimated based on historical experience. Time deposits have penalties which discourage early withdrawals. Cash flows may vary based on current offering rates, competition, customer need for deposits, and overall economic activity. The Corporation has reclassified a portion of its investment portfolio and its borrowings into trading accounts. Management believes that these practices help it mitigate the volatility of the current interest rate environment.

The second technique used in the management of interest rate risk is to combine the projected cash flows and repricing characteristics generated by the gap analysis and the interest rates associated with those cash flows and projected future interest income. By changing the amount and timing of the cash flows and the repricing interest rates of those cash flows, the Corporation can project the effect of changing interest rates on its interest income.

The following table provides information about the Corporation s assets and liabilities that are sensitive to changes in interest rates as of March 31, 2010 and December 31, 2009. The Corporation has no interest rate swaps, futures contracts, or other derivative financial options, except for derivative loan commitments, which are not significant. The principal amounts of assets and time deposits maturing were calculated based on the contractual maturity dates. Savings and NOW accounts are based on management s estimate of their future cash flows.

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(dollars in thousands)	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value 03/31/10
	March 31, 2010							
Rate sensitive assets								
Other interest bearing assets	$ 8,454	$ 1,920	$ 1,680	$	$	$	$ 12,054	$ 12,157
Average interest rates	0.73%	2.18%	2.53%				1.21%	
Trading securities	$ 4,762	$ 1,234	$ 2,066	$ 1,028	$ 521	$	$ 9,611	$ 9,611
Average interest rates	3.86%	2.53%	2.31%	2.44%	2.51%		3.13%	
Fixed interest rate securities	$ 79,449	$ 40,743	$ 27,061	$ 23,660	$ 22,118	$ 84,063	$ 277,094	$ 277,094
Average interest rates	3.73%	3.41%	3.44%	3.49%	3.54%	3.66%	3.60%	
Fixed interest rate loans	$ 200,795	$ 105,523	$ 95,478	$ 94,081	$ 72,216	$ 13,322	$ 581,415	$ 600,264
Average interest rates	6.41%	6.70%	6.99%	6.58%	6.58%	6.38%	6.61%	
Variable interest rate loans	$ 61,326	$ 16,684	$ 18,074	$ 17,232	$ 23,036	$ 8,398	$ 144,750	$ 144,750
Average interest rates	4.70%	4.75%	4.65%	4.05%	4.10%	5.05%	4.55%	
Rate sensitive liabilities								
Borrowed funds	$ 78,282	$ 20,150	$ 27,150	$ 20,125	$ 15,000	$ 25,000	$ 185,707	$ 190,238
Average interest rates	2.20%	2.99%	3.97%	3.40%	3.63%	4.63%	3.12%	
Savings and NOW accounts	$ 82,850	$ 69,192	$ 46,647	$ 31,469	$ 21,447	$ 51,188	$ 302,793	$ 302,793
Average interest rates	0.20%	0.18%	0.18%	0.17%	0.15%	0.14%	0.17%	
Fixed interest rate time deposits	$ 251,599	$ 54,307	$ 57,164	$ 34,023	$ 18,734	$ 3,679	$ 419,506	$ 421,457
Average interest rates	2.10%	3.53%	3.32%	3.67%	3.11%	3.36%	2.64%	
Variable interest rate time deposits	$ 1,259	$ 538	$	$	$	$	$ 1,797	$ 1,797
Average interest rates	1.50%	1.42%					1.48%	

	2010	2011	2012	2013	2014	Thereafter	Total	Fair Value 12/31/09
	December 31, 2009							
Rate sensitive assets								
Other interest bearing assets	$ 4,996	$ 960	$ 1,200	$	$	$	$ 7,156	$ 7,156
Average interest rates	1.13%	2.29%	2.64%				1.54%	
	$ 7,139	$ 2,043	$ 2,546	$ 1,094	$ 570	$ 171	$ 13,563	$ 13,563

Trading securities Average interest rates	2.84%	2.42%	2.28%	2.53%	2.66%	4.86%	2.66%	
Fixed interest rate securities	$ 68,078	$ 35,401	$ 21,540	$ 20,369	$ 20,431	$ 93,247	$ 259,066	$ 259,066
Average interest rates	3.53%	3.51%	3.59%	3.65%	3.63%	3.58%	3.57%	
Fixed interest rate loans	$ 133,703	$ 111,981	$ 118,749	$ 109,754	$ 62,280	$ 48,764	$ 585,231	$ 594,498
Average interest rates	6.64%	6.85%	6.72%	6.50%	6.61%	6.01%	6.61%	
Variable interest rate loans	$ 60,727	$ 17,695	$ 13,799	$ 16,357	$ 16,940	$ 12,567	$ 138,085	$ 138,085
Average interest rates	5.00%	4.69%	4.79%	3.83%	3.74%	5.35%	4.68%	
Rate sensitive liabilities								
Borrowed funds	$ 85,101	$ 11,000	$ 32,000	$ 15,000	$ 5,000	$ 45,000	$ 193,101	$ 195,179
Average interest rates	2.28%	4.04%	3.50%	3.93%	4.38%	4.01%	3.17%	
Savings and NOW accounts	$ 78,383	$ 65,107	$ 44,439	$ 30,095	$ 20,609	$ 46,498	$ 285,131	$ 285,131
Average interest rates	0.15%	0.15%	0.15%	0.14%	0.15%	0.13%	0.15%	
Fixed interest rate time deposits	$ 268,005	$ 46,484	$ 53,054	$ 32,959	$ 16,273	$ 2,050	$ 418,825	$ 422,227
Average interest rates	2.26%	3.59%	3.47%	3.83%	3.09%	3.35%	2.72%	
Variable interest rate time deposits	$ 1,252	$ 569	$	$	$	$	$ 1,821	$ 1,821
Average interest rates	1.56%	1.40%					1.51%	

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Item 4 Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

The Corporation s management carried out an evaluation, under the supervision and with the participation of the Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of March 31, 2010, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that the Corporation s disclosure controls and procedures as of March 31, 2010, were effective to ensure that information required to be disclosed by the Corporation in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the most recent fiscal quarter, no change occurred in the Corporation s internal control over financial reporting that materially affected, or is likely to materially effect, the Corporation s internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 Legal Proceedings

The Corporation is not involved in any material legal proceedings. The Corporation is involved in ordinary, routine litigation incidental to its business; however, no such routine proceedings are expected to result in any material adverse effect on operations, earnings, or financial condition.

Item 1A Risk Factors

There have been no material changes to the risk factors disclosed in Item 1A in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2009.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

(A) None

(B) None

(C) Repurchases of Common Stock

The Board of Directors has adopted a common stock repurchase plan. On October 29, 2009, the Board of Directors amended the plan to allow for the repurchase of an additional 100,000 shares of the Corporation s common stock. These authorizations do not have expiration dates. As shares are repurchased under this plan, they are retired and revert back to the status of authorized, but unissued shares. The following table provides information for the three month period ended March 31, 2010, with respect to this plan:

	Shares Repurchased		Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
	Number	Average Price Per Share		
Balance, December 31, 2010				78,432
January 1 - 31, 2010	9,294	$ 18.18	9,294	69,138
February 1 - 28, 2010	8,700	18.39	8,700	60,438
March 1 - 31, 2010	16,171	18.55	16,171	44,267
Balance, March 31, 2010	34,165	$ 18.41	34,165	44,267

Item 6 - Exhibits

(a) Exhibits

31(a) Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Executive Officer

31(b) Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by the Principal Financial Officer

32 Section 1350 Certification of Principal Executive Officer and Principal Financial Officer

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SIGNATURES

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

Isabella Bank Corporation

Date: May 3, 2010

/s/ Richard J. Barz
Richard J. Barz
Chief Executive Officer

/s/ Dennis P. Angner
Dennis P. Angner
Chief Financial Officer

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