FENTURA FINANCIAL INC
Form DEF 14A
March 23, 2009

SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant	þ
Filed by a party other than the Registrant	o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the SEC Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

FENTURA FINANCIAL, INC.

(Name of Registrant as Specified in Its Charter)

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

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

FENTURA FINANCIAL, INC.
175 North Leroy Street
P.O. Box 725
Fenton, Michigan 48430

The Fentura Financial, Inc. 2009 Annual Shareholders Meeting will be held at the Genesys Conference and Banquet Center, 805 Health Park Boulevard, Grand Blanc, Michigan, Tuesday, April 28, 2009, at 7:00 p.m. for the following purposes:

1. To elect four directors; and

2. Transact any other business that may properly come before the meeting or any adjournment of the meeting.

The Board of Directors has fixed the close of business on March 4, 2009, as the record date for the purpose of determining shareholders who are entitled to notice of and to vote at the meeting and any adjournment of the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Douglas J Kelley
Secretary

Fenton, Michigan
March 20, 2009

IMPORTANT

All shareholders are cordially invited to attend the meeting. WHETHER OR NOT YOU PLAN TO ATTEND IN PERSON, YOU ARE URGED TO DATE AND SIGN THE ENCLOSED PROXY FORM AND RETURN IT PROMPTLY IN THE POSTAGE PAID ENVELOPE PROVIDED. This will assure your representation and a quorum for the transaction of business at the meeting. If you do attend the meeting in person and if you have submitted a proxy form, it will not be necessary for you to vote in person at the meeting. However, if you attend the meeting and wish to change your proxy vote, you will be given an opportunity to do so.

PROXY STATEMENT
FENTURA FINANCIAL, INC.

175 North Leroy Street
P.O. Box 725
Fenton, Michigan 48430
Telephone: (810) 750-8725

ANNUAL MEETING OF SHAREHOLDERS

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Fentura Financial, Inc. (the Corporation) to be voted at the annual meeting of its shareholders to be held at the Genesys Conference and Banquet Center, 805 Health Park Boulevard, Grand Blanc, Michigan, on Tuesday, April 28, 2009, at 7:00 p.m., eastern standard time, and at any adjournment of the meeting, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders. This proxy statement and form of proxy are first being sent to shareholders on or about March 20, 2009.

If a proxy in the accompanying form is properly executed, duly returned to the Corporation, and not revoked, the shares represented by the proxy will be voted at the annual meeting of the Corporation s shareholders and at any adjournment of that meeting. Where a shareholder specifies a choice, a proxy will be voted as specified. If no choice is specified, the shares represented by the proxy will be voted for election of all nominees of the Board of Directors. The Corporation s management does not know of any other matters to be presented at the annual meeting. If other matters are presented, the shares represented by proxy will be voted at the discretion of the persons designated as proxies, who will take into consideration the recommendations of the Corporation s management.

Any shareholder executing a proxy in the enclosed form has the power to revoke it by notifying the Secretary of the Corporation in writing at the address indicated above at any time before it is exercised, or by appearing at the meeting and voting in person.

Solicitation of proxies is being made by mail. Directors, officers, and regular employees of the Corporation and its subsidiaries may also solicit proxies in person or by telephone without additional compensation. In addition, banks, brokerage firms, and other custodians, nominees, and fiduciaries may solicit proxies from the beneficial owners of shares they hold and may be reimbursed by the Corporation for reasonable expenses incurred in sending proxy material to beneficial owners of the Corporation s stock. The Corporation will pay all expenses of soliciting proxies.

Boards of Directors

The names of directors are set forth below.

FENTURA FINANCIAL, INC.

Forrest A. Shook (Chairman)
Chairman & CEO
NLB Corporation

Kenneth R. Elston
Former Chief Financial Officer
Altair Engineering, Inc.

Donald L. Grill
President & CEO Fentura
CEO The State Bank

J. David Karr
Owner & Attorney
Karr Law Office

Thomas P. McKenney
Owner/President & Attorney
McKenney & McKenney

Thomas L. Miller
CEO
TMI, Inc.

Brian P. Petty
Owner & President
Fenton Glass Service, Inc

Douglas W. Rotman
Partner
Ferris, Busscher & Zwiers, P.C.

Ian W. Schonsheck
CEO
Schonsheck, Inc.

Sheryl E. Stephens
Owner & President
Stephens Wealth Management Group, Inc.

2009 ELECTION OF DIRECTORS

The only matter scheduled to be considered at the annual meeting will be the election of four persons to the Board of Directors of the Corporation. The Corporation s Board of Directors is divided into three classes. Each year, on a rotating basis, the terms of office of the directors in one of the three classes expire. Directors are elected for a three year term. The directors whose terms expire at the annual meeting (Class III Directors) are Donald L. Grill, Douglas W. Rotman, Forrest A. Shook and Sheryl E. Stephens. The Board has nominated these same individuals for reelection as Class III Directors. If elected, the terms of these directors will expire at the 2012 annual meeting of shareholders.

Except for those individuals nominated by the Board of Directors, no persons may be nominated for election at the 2009 annual meeting. The Corporation s Bylaws require at least 120 days prior written notice of any other proposed shareholder nominations. Two nominations were received from a shareholder prior to the required written notice date and both candidates were given proper consideration during a full board director nomination discussion.

The proposed nominees are willing to be elected and to serve. In the event that any nominee is unable to serve or is otherwise unavailable for election, which is not now contemplated the incumbent Board of Directors may or may not select a substitute nominee. If a substitute nominee is selected, all proxies will be voted for the person so selected. If a substitute nominee is not so selected, all proxies will be voted for the election of the remaining nominee. Proxies will not be voted for a greater number of persons than the number of nominees named.

A vote of shareholders holding a plurality of shares voting is required to elect directors. For the purpose of counting votes on this proposal, abstentions, broker nonvotes, and other shares not voted will not be counted as shares voted. Abstentions and broker non-votes are counted for the purpose of determining whether a quorum is present.

The Nomination Process

Director nominees are considered and must be recommended to the full Board by the Director Selection Committee, whose members are independent under SEC and NASDAQ Standards. When considering a potential candidate for membership on the Corporation s Board, the Committee seeks to identify candidates who will meet the challenges and needs of the Board. The Committee considers, among other qualifications, demonstrated character and judgment, diversity, geographic representation, professional credentials, recognition in the marketplace, and experience in business and the financial industry. The Committee has not established specific minimum age, education, and years of business experience or specific types of skills for potential candidates, but, in general, expects qualified candidates will have ample experience and a proven record of business success and leadership. In general, the Board requires that each of its members will have the highest personal and professional ethics, integrity and values; will consistently exercise sound and objective business judgment; and will have a comfort with diversity in its broadest sense. In addition, it is anticipated that the Board as a whole will have individuals with significant appropriate senior management and leadership experience, a comfort with technology, a long-term and strategic perspective, and the ability to advance constructive debate. It is considered important for the Board as a whole to operate in an atmosphere where the chemistry of the Board is collaborative and constructive in effectively representing the interests of the shareholders.

The Committee will consider shareholder nominations for directors submitted in accordance with the procedure set forth in Article III, Section 15(c) of the Corporation s Bylaws. The procedure provides that a notice relating to the nomination must be given in writing to the Corporation not later than 120 days prior to the annual meeting. Such notice must contain identification information, business experience and background information with respect to the proposed nominee and contain information with respect to the proposed nominee s share ownership. There are no differences in the manner in which the Committee evaluates a candidate that is recommended for nomination for membership on the Corporation s Board by a shareholder. As noted, the Board has appropriately considered nominations from the Corporation s shareholders in connection with the annual meeting.

Upon receipt of information concerning a shareholder proposed candidate, the Committee assesses the Board s needs, primarily whether or not there is a current or pending vacancy or a possible need to fulfill by adding or replacing a director, and then develops a director profile by comparing the current state of Board characteristics with the desired state and the candidate s qualifications. The profile and the candidate s submitted information are provided to the Board for discussion. Similarly, if at any time the Committee determines there may be a need to add or replace a director, the Committee develops a director profile by comparing the current state of Board characteristics with the desired state. If no candidates are apparent from any source, the Committee will determine the appropriate method to conduct a search. The Committee has, to date, not paid any third party fee to assist in identifying and evaluating nominees.

YOUR BOARD OF DIRECTORS RECOMMENDS A VOTE
FOR ELECTION OF ALL NOMINEES AS DIRECTORS

STOCK OWNERSHIP INFORMATION

Stock Ownership of Directors, Executive Officers and Certain Major Shareholders

At the close of business on March 4, 2009, the record date for determination of the shareholders entitled to vote at the annual meeting, the Corporation had issued and outstanding 2,186,438 shares of its common stock, the only class of voting securities presently outstanding. Each share entitles its holder to one vote on each matter to be voted upon at the meeting.

In general, beneficial ownership includes those shares a director or officer has the power to vote or transfer, and stock options that are exercisable currently or within 60 days. The table below shows the beneficial stock ownership of the Corporation s directors and executive officers named in the summary compensation table below and those shareholders who hold more than 5% of the total outstanding shares as of March 4, 2009.

Name of Beneficial Owner	Shares Beneficially Owned(1)	Percent of Outstanding(2)
Kenneth R. Elston (Director)	4,036(3)	*
Donald L. Grill (Director, Executive Officer)	15,002(3)(5)	*
Ronald L. Justice (Executive Officer)	6,119(3)(5)	*
J. David Karr (Director)	4,822(3)	*
Douglas J. Kelley (Executive Officer)	1,564(5)	*
Dennis E. Leyder (Executive Officer)	2,153(5)	*
Thomas P. McKenney (Director)	4,780(3)(4)	*
Thomas L. Miller (Director)	5,130	*
Brian P. Petty (Director)	17,512(3)(4)	*
Holly J. Pingatore (Executive Officer)	2,761(3)(5)	*
Douglas W. Rotman (Director)	1,437	*
Ian W. Schonsheck (Director)	4,314	*
Forrest A. Shook (Director)	36,919(4)	1.69%
Sheryl E. Stephens (Director)	1,322(3)	*
Donald E. Johnson, Jr.(6)	220,836	10.10%
Mary Alice Heaton(6)	113,583	5.20%
Linda J. Lemieux(6)	104,083	4.76%
Directors and Executive Officers as a group (15 persons)	107,071	4.90%

(1) The number of shares in this column includes shares owned directly or indirectly, through any contract, arrangement, understanding or relationship, or that the indicated beneficial owner

otherwise has the power to vote, or direct the voting of, and/or has investment power. This includes shares allocated to the person under the Corporation s Employee Stock Ownership Plan (ESOP). This column includes shares that may be acquired pursuant to stock options that are exercisable within 60 days.

(2) The symbol * shown in this column indicates ownership of less than 1%.

(3) Ownership and voting rights of all shares are joint with spouse or individually held.

(4) Includes 668 shares for Mr. McKenney, Mr. Petty and Mr. Shook that may be acquired pursuant to stock options that are exercisable within 60 days.

(5)

Includes 6,317 shares for Mr. Grill, 2,750 shares for Mr. Justice, 1,095 shares for Mr. Kelley, 1,700 shares for Mr. Leyder, and 2,088 shares for Ms. Pingatore that may be acquired pursuant to stock options that are exercisable within 60 days.

(6) Each person s address is: SNB Trust Operations, 101 North Washington Avenue, Saginaw, Michigan 48607.

THE CORPORATION S BOARD OF DIRECTORS

Biographical information concerning the current directors and the nominees who are nominated for election to the Board of Directors at the annual meeting is presented below. Except as otherwise indicated, all directors and nominees have had the same principal employment for over five years.

Nominees for 3-Year Terms Expiring in 2012

Donald L. Grill, age 61, has been a Director of the Corporation and The State Bank since 1996. Mr. Grill is a Class III Director. Mr. Grill joined the Corporation as President and Chief Executive Officer in 1996. From 1976-1983, Mr. Grill served as Executive Officer and Senior Lender at Key State Bank in Owosso, Michigan. From 1983-1996, Mr. Grill served in several capacities at First of America Bank Corporation including President and Chief Executive Officer of First of America Bank-Frankenmuth. Mr. Grill also serves as a Director of The State Bank, West Michigan Community Bank and Livingston Community Bank.

Douglas W. Rotman, age 44, was appointed to the Board of Directors of the Corporation, effective May, 2007. He has served on the Board of West Michigan Community Bank since 2004. Mr. Rotman is a Class III Director. Mr. Rotman is a CPA, partner and Vice President at the accounting firm of Ferris, Busscher, & Zwiers, P.C. located in Holland, Michigan.

Forrest A. Shook, age 66, has been a Director since 1996 and served as Vice Chairman of the Board of Directors of the Corporation from 1997 to May, 2003. Mr. Shook was appointed Chairman of the Board of Directors of the Corporation in May, 2003. He was a member of The State Bank Board from 1996 through 2000 and served as its Vice Chairman from 1997 through 2000. Mr. Shook is a Class III Director. Mr. Shook is the founder and Chairman & CEO of NLB Corporation located in Wixom, Michigan. NLB Corporation manufactures high pressure pumps that are used around the world in many applications. Mr. Shook alos serves as a Director of The State Bank.

Sheryl E. Stephens, age 52, was appointed to the Board of Directors of the Corporation, effective May, 2007. She served on the Board of Davison State Bank from 2005 until 2008. Ms. Stephens is a Class III Director. Ms. Stephens is a Financial Consultant and President of Stephens Wealth Management Group, Inc. located in Flint, Michigan. The firm is a full service financial planning and investment advisory firm offering securities through Raymond James Financial Services, Inc. Ms Stephens also serves as a Director of The State Bank.

Directors with Terms Expiring in 2011

Kenneth R. Elston, age 48, was appointed to the Board of Directors of the Corporation, effective September, 2005. Mr. Elston is a Class II Director. Mr. Elston served as Chief Financial Officer for Altair Engineering, Inc. in Troy, Michigan until February 2009. Altair is an international engineering company offering enterprise CAE solutions, grid computing technology, business intelligence software and product innovation consulting. Mr. Elston, a CPA, serves as the Chairman of the Corporation s Audit Committee. Mr. Elston also serves as a Director of The State Bank.

Thomas L. Miller, age 59, was appointed as a Class II Director of the Corporation in June, 2003. He is the CEO and founder of TMI, Inc., a company that specializes in the design and fabrication of large air handling units for various industrial applications. Mr. Miller also serves as a Director of The State Bank.

Ian W. Schonsheck, age 55, was appointed as a Class II Director of the Corporation in June, 2003. Mr. Schonsheck served as a Director of West Michigan Community Bank from 2004 to 2006. He is the CEO of Schonsheck, Inc., a company he founded in 1985. Schonsheck, Inc. is a design, construction and land development company that specializes in industrial and commercial buildings, expansions and renovations. Mr. Schonsheck also serves as a Director of The State Bank.

Directors with Terms Expiring in 2010

J. David Karr, age 70, serves as a Director and Chairman of Davison State Bank and was appointed as a Director of the Corporation effective January 2001. Mr. Karr is a Class I Director. Mr. Karr is an attorney with a private practice located in Davison, Michigan. As required by Corporation s policy, Mr. Karr will retire his bank and holding company board responsibilities effective with this annual meeting having reached the mandatory retirement age. Mr. Karr also serves as a Director of The State Bank.

Thomas P. McKenney, age 57, has been a Director of the Corporation since 1992 and was a Director of The State Bank from 1991 to 2003, serving as Chairman of The State Bank s Board from 2001 to 2003. Mr. McKenney was appointed Vice Chairman of the Corporation in May, 2003. Mr. McKenney is a Class I Director. Mr. McKenney is an attorney with a private practice located in Holly, Michigan. Mr. McKenney also serves as a Director of The State Bank.

Brian P. Petty, age 51, was reappointed a Director of the Corporation effective September, 2002. Mr. Petty previously served as a Director of the Corporation from March of 1995 to December of 2000. Mr. Petty has served as a Director of The State Bank since January of 1994 and has served as Chairman from 2003 to 2008. Mr. Petty is a Class I Director. Mr. Petty is the owner and President of Fenton Glass Service, Inc., which sells and installs glass for automobile, residential, industrial and specialty uses. Mr Petty also serves as a Director of The State Bank.

Independence of Directors and Attendance at Meetings

The Board of Directors of the Corporation is composed of a majority of independent directors (as independence is defined in Rule 4200(a) (15) of the NASDAQ Listing Standards). The Board has determined that each of Messrs. Elston, Karr, McKenney, Miller, Petty, Rotman, Schonsheck, and Shook and Ms. Stephens are independent. During the fiscal year ended December 31, 2008, the Board of Directors of the Corporation held a total of 11 regular meetings. Various committees of the Board held meetings as needed. Each director attended at least 75 percent of the total meetings of the Board of Directors and meetings of the committees on which he or she served. The Corporation also encourages all members of the Board to attend the Corporation s annual meeting of shareholders each year. All members of the Board of Directors of the Corporation attended the Corporation s 2008 annual meeting.

Communication with the Corporation s Board of Directors

Shareholders may communicate with members of the Corporation s Board by mail addressed to the Board of Directors, a specific member of the Board, or to a particular committee of the Board at 175 North Leroy Street, P.O. Box 725, Fenton, Michigan 48430-0725.

Director Compensation

The Corporation and Affiliate Bank directors are compensated in three ways: cash retainer fees, stock options and participation in stock purchase plans. Each director of the Corporation is paid an annual retainer fee. In 2008, the annual retainer was $7,500. The Chairman of the Board receives an additional annual $1,250 retainer fee. The Chairman of the Audit Committee receives an additional $250 for each Audit Committee meeting attended and the remaining Audit Committee members receive $125 for attending each Audit Committee meeting. Directors of the Corporation who also serve on Affiliate Bank Boards receive additional compensation because of their Affiliate Bank Board service.

Stock option grants are available to directors who are not employees of the Corporation under the 1996 Nonemployee Director Stock Option Plan. However, no options were granted to directors during the year 2008 and no options have been granted to directors since 1999. Exercisable stock options issued in prior years are included in the table and footnotes which appear on page 5.

Directors of the Corporation and the Affiliate Banks may also use director cash retainer fees to purchase shares of the Corporation issued by the Corporation at fair market value under the Corporation s Director Stock Retainer Plan. Directors may also use other personal funds or cash retainer fees to purchase shares under the Fentura Financial, Inc. Stock Purchase Plan. This plan permits all employees of the Corporation and Affiliate Banks, as well as directors, to purchase shares at fair market value through regular payroll or fee deductions and also through lump sum payments. The maximum annual dollar amount of purchases per individual through payroll or fee deductions is $10,000 and the maximum annual dollar amount of lump sum purchases is also $10,000, for a total annual maximum of $20,000.

2008 DIRECTOR COMPENSATION ($)

Name	Fees Earned or Paid in Cash (1)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (2)	Total
Kenneth R. Elston	$ 8,750						$ 8,750
Donald L. Grill(3)							
J. David Karr	$ 7,500					$ 3,000	$10,500
Thomas P. McKenney	$ 7,500						$ 7,500
Thomas L. Miller	$ 7,500					$ 5,417	$12,917
Brian P. Petty	$ 8,125					$ 6,250	$14,375
Douglas W. Rotman	$ 8,125					$ 6,250	$14,375
Ian W. Schonsheck	$ 7,500						$ 7,500
Forrest A. Shook	$ 8,750						$ 8,750
Sheryl E. Stephens	$ 7,500					$ 3,000	$10,500

(1) Amounts for Messrs. Elston, Petty, and Rotman include fees paid as members of the Audit Committee for each meeting attended. As Chairman,

Mr. Shook receives an additional retainer fee.

(2) Amounts include retainer fees paid by a subsidiary Bank for serving on their Board.

(3) Mr. Grill does not receive compensation for serving as a director of the Corporation or subsidiary banks.

Code of Ethics

Fentura Financial, Inc. is dedicated to upholding the highest ethical standards and principles throughout our operations. Our Code of Ethics is a product of our commitment to comply with the law and to conduct business ethically while reinforcing values of trust, respect, dignity, and honesty which form the foundation for our relationships with our shareholders, employees, and customers. The Corporation s Board of Directors reaffirmed its Code of Ethics on January 23, 2009. The Code details principles and responsibilities governing professional and ethical conduct for all directors and officers of the Corporation and its Affiliate Banks. Any changes or waivers to the Code of Ethics will be promptly disclosed in our SEC filings.

Going beyond the legal requirements for corporate ethics, we require all board members and members of management to sign our Code and to conduct themselves consistent with its requirements. Additionally, the Boards of the Corporation and each Affiliate Bank and all Board Committees are chaired by an independent outside director and, at each Board and Audit Committee session, our outside directors reserve time for discussions without management or management directors present. Another example of the Corporation s commitment to ethical conduct is its support of the Internal Audit Function. Previously outsourced, Internal Audit returned to an in house function in 2006 to strengthen the risk-based annual audit program, including incorporating testing consistent with the Sarbanes-Oxley Act Section 404, which the Corporation was required to comply with by December 31, 2007.

Committees of the Corporation Board

The Corporation maintains the following standing committees: Executive, Forward Planning, Director Selection, Audit, and Compensation/ESOP.

Executive Committee

The Executive Committee, which met four times in 2008, consists of Messrs. Grill, McKenney, Miller and Shook. This Committee reviews in depth the status and progress of various projects, management activities and the Corporation s financial performance. As necessary, it provides guidance and makes recommendations to management and/or the Board of Directors.

Forward Planning Committee/Special Strategic Planning Committee

The Special Strategic Planning Committee replaced the role of the Forward Planning Committee during 2008. The Special Strategic Planning Committee consists of Messrs. Elston, Grill, Karr, McKenney, Petty, Rotman, Schonsheck and Stephens. This Committee evaluates various strategic initiatives and alternatives to guide the future performance and direction of the Corporation. Three Special Strategic Planning Committee meetings were held during 2008 and all committee deliberations and recommendations were considered by the full Board at regular Board meetings.

Director Selection Committee

The Corporation s Director Selection Committee consists of Messrs. McKenney, Miller and Shook. This Committee coordinates the process of identifying, interviewing and recommending new director candidates. In reviewing director selections, the Committee will consider recommendations of shareholders. Shareholders who wish to recommend nominees should submit their recommendations in writing, delivered or mailed to the Secretary of the Corporation. The Director Selection Committee did not meet during 2008. The Director Selection Committee adopted a charter on November 30, 2006, a copy of which is available on the Corporation s website at www.fentura.com.

Audit Committee

During 2008 the Corporation s Audit Committee consisted of Messrs. Elston, Petty and Rotman, and the Audit Committee chairpersons of each Affiliate Bank Audit Committee s as ex-officio members. The Audit Committee oversees the Corporation s corporate accounting, financial reporting and internal audit processes. For this purpose, the Audit Committee performs several functions. For example, the Audit Committee evaluates the performance of and assesses the qualifications of the independent auditors; appoints and approves the compensation of the independent auditors; determines whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews the annual internal risk based audit plan and approves the retention of auditors to perform portions of the internal audit functions and services which the independent auditors are not permitted to perform; reviews the financial statements to be included in the Corporation s Annual Report on Form 10-K; and discusses with management and the independent auditors the results of the annual audit and the results of the Corporation s quarterly financial statements.

Mr. Elston has been designated by the Board as the Audit Committee s financial expert. Mr. Elston is independent as defined in Rule 4200(a) (15) of the NASDAQ listing standards.

The Audit Committee is guided by an Audit Committee Charter, which is available on the Corporation s website at www.fentura.com. All of the members of the Audit Committee are independent, as defined in Rule 4200(a) of the NASDAQ Listing Standards. During 2008, the Audit Committee held four meetings. On March 6, 2009, the Audit Committee submitted to the Board the following report:

Report of Audit Committee

We have reviewed and discussed with management the Corporation s audited financial statements as of and for the year ended December 31, 2008.

We have discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended (AICPA, Professional Standards Volume 1 AU Section 380), as adopted by the Public Accounting Oversight Board in Rule 3200T.

We have received and reviewed the written disclosures and the letter from the independent accountants required by applicable requirement of the Public Company Accounting Oversight Board regarding the independent accountant s communication with the audit committee concerning independence, and have discussed with the independent accountant the independent accountant s independence.

Based on the reviews and discussions referred to above, we recommend to the Board of Directors that the financial statements referred to above be included in the Corporation s annual report on Form 10-K for the year ended December 31, 2008.

Respectfully submitted,
Audit Committee
Kenneth R. Elston, Chairman
Brian P. Petty
Douglas W. Rotman

Compensation/ESOP Committee

The members of the Compensation/ESOP Committee are Messrs. Karr, Petty and Shook. This Committee oversees the administration of the Corporation s compensation and benefit programs. The Committee met two times during 2008. The Compensation/ESOP Committee adopted a charter on November 30, 2006, which is available on the Corporation s website at www.fentura.com. The performance of the CEO and all Compensation/ESOP Committee items were reviewed by the committee and approved by the full Board.

Report of Compensation/ESOP Committee

We have reviewed and discussed with management the Corporation s Compensation Discussion & Analysis required by Item 402(b) of Regulation S-K. Based upon our review and discussions, we recommended to the Board of Directors that the Compensation Discussion & Analysis be included in the Corporation s annual report on Form 10-K for the year ended December 31, 2008 and the Corporation s 2009 proxy statement.

Respectfully submitted,
Year 2008 Compensation/ESOP Committee
J. David Karr
Brian P. Petty
Forrest A. Shook, Chairman

COMPENSATION/ESOP COMMITTEE INTERLOCKS

The members of the Compensation Committee are set forth in the preceding section. There are no members of the Compensation Committee who were officers or employees of the Corporation, former officers of the Corporation or its subsidiaries or had any relationship otherwise requiring disclosure here.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION & ANALYSIS

During 2008, the Corporation did not compensate any of its executive officers, each of whom was also an executive officer of one of the Affiliate Banks and is paid for services by an Affiliate Bank following the corporate guidelines described below.

Role and Composition of the Committee

The Compensation Committee discharges the Board s responsibilities relating to compensation of the Company s executive officers, including reviewing the competitiveness of executive compensation programs, evaluating the performance of the Company s executive officers, and approving their annual compensation and equity awards. The Committee also assists the CEO in establishing annual goals and objectives and, after considering the results of the CEO performance review, recommends CEO compensation to the Board for approval. The specific responsibilities and functions of the Compensation Committee are delineated in the Compensation Committee Charter.

The Compensation Committee has three members. Each Committee members meets the independence requirements established by NASDAQ.

Under its Charter, the Compensation Committee has the authority to retain outside services to assist it in carrying out its duties and responsibilities. No initiatives or actions required the Committee to execute this authority in 2008. However, management used outside services provided by the legal firm Howard & Howard to assist with certain human resource issues and the Committee reviewed their recommendations.

Compensation Philosophy and Objectives

All of our compensation programs are designed to attract and retain key employees, motivating them to achieve and rewarding them for superior performance. Different programs are geared to short and longer-term performance with the goal of increasing shareholder value over the long term. Executive compensation programs impact all employees by setting general levels of compensation and helping to create an environment of goals, rewards and expectations. Because we believe the performance of every employee is important to our success, we are mindful of the effect of executive compensation and incentive programs on all of our employees.

We believe that the compensation of our executives, management team and employees should fairly reflect their individual success as well as overall performance of the company. Accordingly, following the decline in company performance reported at December 31, 2007, a decision was made to freeze all management salaries for 2008. This decision changed the historical approach of considering and granting annual salary increases to executives and other members of management based upon individual and company performance for the prior year. As the economy and company performance continues to falter, it is expected that management will accept compensation reductions in 2009 and until the economy and bank performance allows the company to revert to the historical compensation philosophy.

Components of Executive Compensation

The components of the compensation program for executive officers are described below.

Base Salary. Base salaries are determined based on a variety of factors, including the executive s scope of responsibilities, a market competitive assessment of similar roles at other companies, and a comparison of salaries paid to peers within the Company. Base salaries are set at levels that allow the Company to attract and retain superior leaders that will enable the Company to deliver on its business goals. Base salaries are reviewed once each year and may be adjusted after considering the above factors.

The CEO will make recommendations for base salaries for each executive officer, excluding the CEO. When setting the base salaries for executive officers, excluding the CEO, the Committee considers recommendations from the CEO and makes a final determination based on the factors listed above and the executive officer s performance during the year.

Bonus. Historically executives have the opportunity to earn a bonus ranging from 30% to 45% of their base salary. Bonuses are determined based upon a combination of quantative measures, the details of which are established annually by the Board of Directors. However, due to Company financial performance, bonus opportunities were reduced substantially in 2007 and eliminated in 2008.

Executive Benefits

In fiscal year 2008, Fentura s executives were eligible for the same level and offering of benefits made available to other employees, including the Company s 401(k) Plan and other benefit programs. In addition to the standard benefits offered to all employees, Fentura maintains non-qualified deferred compensation plans for certain executives. Effective October 23, 2008, Fentura modified certain non-qualified deferred compensation plans to comply with certain IRS requirements. Fentura s contributions to the non-qualified deferred compensation plans are further discussed in the supplementary retirement benefit section of the proxy information.

How Executive Pay Levels are Determined

Fentura participates in executive compensation benchmarking surveys that provide summarized data on levels of base salary, target annual incentives, and stock-based and other long-term incentives. These surveys also provide benchmark information on compensation practices such as the prevalence of types of compensation plans and the proportion of the types of pay components as part of the total compensation package. These surveys are supplemented by other publicly available information and input from trade associations on other factors such as recent market trends. The entire comparison group includes banks from Michigan and the Midwest. The Company does not customarily use consultants in establishing executive compensation. The Committee uses formal performance plans that ascribe performance expectations to the components of executive officer compensation, including salary and bonus. Information about the Company s severance arrangements is provided on pages 18 through 20.

How Stock-Based Awards are Determined

In 2008, no stock-based awards were granted to executive officers. When granted, the level of usage is determined based on factors such as compensation levels at comparison companies relative to Fentura s target total compensation levels and the desired mix of cash and equity pay. As appropriate, the Committee determines the appropriate usage, balancing these factors against the projected needs of the business as well as financial considerations, including the projected impact on shareholder dilution.

Compensation for the Chief Executive Officer

The independent members of the Board approve the compensation of Donald L. Grill, President and Chief Executive Officer. The Committee recommends salary and if appropriate bonus amounts to the Board. Mr. Grill s salary and total compensation are considered competitive with industry averages. Mr. Grill did not receive a bonus for 2008. In the past, Mr. Grill s bonus was determined by the independent members of the Board based on an evaluation of his performance against his annual performance plan, including achievement of Company performance objectives, achievement of major market development activities, progress in improving internal efficiency, progress in business growth initiatives, and development of senior leadership. The Summary Compensation Table sets forth all compensation received by Mr. Grill during the fiscal year 2008. He is eligible for a Company sponsored supplemental retirement program and the Company s 401(k) and ESOP program. Mr. Grill does have a change of control agreement. He may be eligible for severance under the Company s executive severance plan.

The following tables show the compensation for services to Affiliate Banks of the principal executive officer, principal financial officer and the three highest paid corporate executive officers who received total compensation in excess of $100,000 for the year 2008.

SUMMARY COMPENSATION TABLE ($)

Name and Principal Position	Year	Salary	Bonus (1)	Option Awards (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (3)	All Other Compensation (4)	Total
Donald L. Grill	2008	$244,363			$66,338(5)	$ 14,826	$325,527
President & CEO of	2007	$244,363	$ 4,676		$61,335	$ 16,900	$327,274
the Corporation and	2006	$234,965	$63,762		$55,075	$ 12,038	$365,840
CEO of The State Bank							
Douglas J. Kelley	2008	$118,155				$ 7,744	$125,899
Senior Vice	2007	$118,155	$ 1,759			$ 9,818	$129,732
President and CFO	2006	$108,283	$22,855			$ 8,981	$140,119
and Secretary of the							
Corporation							
Ronald L. Justice	2008	$125,706				$ 22,882(6)	$148,588
CEO West Michigan	2007	$129,942	$ 4,584			$ 11,389	$145,915
Community Bank and	2006	$124,944	$29,938			$ 11,533	$166,415
Senior Vice President							
and Secretary of the							
Corporation							
Dennis E. Leyder	2008	$145,000				$ 21,497(6)	$166,497
President & COO of	2007	$145,000	$ 2,493			$ 17,961	$165,454
The State Bank and	2006	$124,532	$25,358			$ 14,178	$164,068
Senior Vice President							
of the Corporation							
Holly J. Pingatore	2008	$104,181				$ 7,101	$111,282
CEO of Davison	2007	$104,181	$ 1,329			$ 8,695	$114,205
State Bank and	2006	$101,147	$18,299			$ 8,952	$128,398
Senior Vice President							
of the Corporation							

(1) Amounts reflect payments made pursuant to the Annual Bonus Plan as in effect for the fiscal year indicated. For more information on this plan, see the Compensation Discussion and Analysis.

(2) Amounts calculated utilizing the provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, Share-based Payments. No options were granted in the fiscal year ended December 31, 2007.

(3) Amounts reflect the actuarial increase in the present value of the named executive officer s benefits under all pension plans established by the Company determined using interest rate and mortality rate assumptions consistent with those used in the Company s financial statements and includes amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested.

(4) Amounts include the taxable benefit of Company owned vehicle for Mr. Grill, the Corporate match for the 401k profit sharing plan and the Corporate distribution to the Employee Stock Ownership plan for all named executive officers, and awards under the Non-Qualified Deferred Compensation Plan. Deferred Compensation awards were as follows, Mr. Kelley $2,954, Mr. Justice $3,624, Mr. Leyder $3,625, and Ms. Pingatore $2,605.

(5) Mr. Grill voluntarily reduced the 2008 Deferred Compensation accrual by $10,000 and has voluntarily eliminated the scheduled $70,429 accrual for 2009.

(6)

Mr. Justice received $13,125 in housing allowance to become President and CEO of West Michigan Community Bank.
Mr. Leyder received $12,666 in Trust commissions in 2008.

Stock Option Grants in 2008

The following table sets forth certain information concerning the number and value of stock options granted in the last fiscal year to the individuals named above in the summary compensation table:

2008 GRANTS OF PLAN-BASED AWARDS TABLE

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($ / Sh)	Grant Date Fair Value of Stock and Option Awards
Donald L. Grill					
Douglas J. Kelley					
Ronald L. Justice					
Dennis E. Leyder					
Holly J. Pingatore					