

STILWELL JOSEPH  
Form SC 13D/A  
May 02, 2013

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

SCHEDULE 13D

Under the Securities Exchange Act of 1934  
(Amendment No. 2)

**SOUND FINANCIAL BANCORP, INC.**

(Name of Issuer)

Common Stock, par value \$0.01 per share

(Title of Class of Securities)

83607A 100

(CUSIP Number)

Mr. Joseph Stilwell

111 Broadway, 12<sup>th</sup> Floor

New York, New York 10006

Telephone: (212) 269-1551

with a copy to:

Mary Ann Frantz

Miller Nash LLP

111 S.W. Fifth Avenue, Suite 3400

Portland, Oregon 97204

Telephone: (503) 224-5858

(Name, Address and Telephone Number of Person

Authorized to Receive Notices and Communications)

April 30, 2013

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. [ ]

The information required on the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Value Partners V, L.P.
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)  [X]  
(b)
3. SEC Use Only
4. Source of Funds (See Instructions) WC, OO
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)  [ ]  
Citizenship or Place of Organization:
6. Delaware
- Number of Shares Beneficially Owned by Each Reporting Person With
7. Sole Voting Power: 0
8. Shared Voting Power: 256,083
9. Sole Dispositive Power: 0
10. Shared Dispositive Power: 256,083
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 256,083
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)  [ ]
13. Percent of Class Represented by Amount in Row (11): 9.9%
14. Type of Reporting Person (See Instructions)  
PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Activist Fund, L.P.
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)  [X]  
(b)
3. SEC Use Only
4. Source of Funds (See Instructions) WC, OO
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)  [ ]  
Citizenship or Place of Organization:
6. Delaware
- Number of Shares Beneficially Owned by Each Reporting Person With
7. Sole Voting Power: 0
8. Shared Voting Power: 256,083
9. Sole Dispositive Power: 0
10. Shared Dispositive Power: 256,083
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 256,083
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)  [ ]
13. Percent of Class Represented by Amount in Row (11): 9.9%
14. Type of Reporting Person (See Instructions)  
PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Activist Investments, L.P.
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)  [X]  
(b)
3. SEC Use Only
4. Source of Funds (See Instructions) WC, OO
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)  [ ]  
Citizenship or Place of Organization:
6. Delaware
- Number of Shares Beneficially Owned by Each Reporting Person With
7. Sole Voting Power: 0
8. Shared Voting Power: 256,083
9. Sole Dispositive Power: 0
10. Shared Dispositive Power: 256,083
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 256,083
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)  [ ]
13. Percent of Class Represented by Amount in Row (11): 9.9%
14. Type of Reporting Person (See Instructions)  
PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Partners, L.P.
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)  [X]  
(b)
3. SEC Use Only
4. Source of Funds (See Instructions) WC, OO
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)  [ ]
6. Citizenship or Place of Organization:  
Delaware
- Number of Shares Beneficially Owned by Each Reporting Person With  
7. Sole Voting Power: 0  
8. Shared Voting Power: 256,083  
9. Sole Dispositive Power: 0  
10. Shared Dispositive Power: 256,083
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 256,083  
Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)  [ ]
12. Percent of Class Represented by Amount in Row (11): 9.9%
13. Type of Reporting Person (See Instructions)
14. PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Value LLC
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)    
(b)
3. SEC Use Only
4. Source of Funds (See Instructions) n/a
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)
6. Citizenship or Place of Organization:  
Delaware
- Number of Shares Beneficially Owned by Each Reporting Person With
7. Sole Voting Power: 0
8. Shared Voting Power: 256,083
9. Sole Dispositive Power: 0
10. Shared Dispositive Power: 256,083
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 256,083
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
13. Percent of Class Represented by Amount in Row (11): 9.9%
14. Type of Reporting Person (See Instructions)  
OO

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Joseph Stilwell
2. Check the Appropriate Box if a Member of a Group (See Instructions)
  - (a)
  - (b)
3. SEC Use Only
4. Source of Funds (See Instructions) n/a
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)   
Citizenship or Place of Organization:
6. United States
- Number of Shares Beneficially Owned by Each Reporting Person With
  7. Sole Voting Power: 0
  8. Shared Voting Power: 256,083
  9. Sole Dispositive Power: 0
  10. Shared Dispositive Power: 256,083
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 256,083
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)
13. Percent of Class Represented by Amount in Row (11): 9.9%  
Type of Reporting Person (See Instructions)
14. IN



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#### Item 1. Security and Issuer

This is the second amendment (this "Second Amendment") to the original Schedule 13D, which was filed on August 23, 2012 (the "Original Schedule 13D"), and amended on January 22, 2013 (the "First Amendment"). This Second Amendment is being filed jointly by Stilwell Value Partners V, L.P., a Delaware limited partnership ("Stilwell Value Partners V"); Stilwell Activist Fund, L.P., a Delaware limited partnership ("Stilwell Activist Fund"); Stilwell Activist Investments, L.P., a Delaware limited partnership ("Stilwell Activist Investments"); Stilwell Partners, L.P., a Delaware limited partnership ("Stilwell Partners"); Stilwell Value LLC, a Delaware limited liability company ("Stilwell Value LLC"), and the general partner of Stilwell Value Partners V, Stilwell Activist Fund and Stilwell Activist Investments; and Joseph Stilwell, the managing member and owner of more than 99% of the equity in Stilwell Value LLC and the general partner of Stilwell Partners. All the filers of this statement are collectively referred to herein as the "Group."

This statement relates to the common stock, par value \$0.01 per share ("Common Stock"), of Sound Financial Bancorp, Inc. (the "Issuer"). The address of the principal executive offices of the Issuer is 2005 Fifth Avenue, Second Floor, Seattle, Washington 98121. The amended joint filing agreement of the members of the Group is attached as Exhibit 3 to this Second Amendment.

#### Item 2. Identity and Background

(a)-(c) This statement is filed by Joseph Stilwell with respect to the shares of Common Stock beneficially owned by Joseph Stilwell, including shares of Common Stock held in the name of Stilwell Value Partners V, Stilwell Activist Fund, Stilwell Activist Investments and Stilwell Partners in Joseph Stilwell's capacities as the general partner of Stilwell Partners and the managing member and 99% owner of Stilwell Value LLC, which is the general partner of Stilwell Value Partners V, Stilwell Activist Fund and Stilwell Activist Investments.

The business address of Stilwell Value Partners V, Stilwell Activist Fund, Stilwell Activist Investments, Stilwell Partners, Stilwell Value LLC, and Joseph Stilwell is 111 Broadway, 12th Floor, New York, New York 10006.

The principal employment of Joseph Stilwell is investment management. Stilwell Value Partners V, Stilwell Activist Fund, Stilwell Activist Investments and Stilwell Partners are private investment partnerships engaged in the purchase and sale of securities for their own accounts. Stilwell Value LLC is in the business of serving as the general partner of Stilwell Value Partners V, Stilwell Activist Fund, Stilwell Activist Investments and related partnerships.

(d) During the past five years, no member of the Group has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) During the past five years, no member of the Group has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and, as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or State securities laws or finding any violation with respect to such laws.

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(f) Joseph Stilwell is a citizen of the United States.

### Item 3. Source and Amount of Funds or Other Consideration

Since the filing of the First Amendment, Stilwell Activist Fund has expended a total of \$22,464 to acquire 1,800 shares of Common Stock. Such funds were provided from Stilwell Activist Fund's working capital and may, from time to time, be provided in part by margin account loans from subsidiaries of Fidelity Brokerage Services LLC extended in the ordinary course of business.

The amount of funds expended to date by Stilwell Activist Investments to acquire the 7,200 shares of Common Stock it holds in its name is \$89,856. Such funds were provided from Stilwell Activist Investments' working capital and may, from time to time, be provided in part by margin account loans from subsidiaries of Morgan Stanley extended in the ordinary course of business.

All purchases of shares of Common Stock made by the Group using funds borrowed from Morgan Stanley or Fidelity Brokerage Services LLC, if any, were made in margin transactions on their usual terms and conditions. All or part of the shares of Common Stock owned by members of the Group may from time to time be pledged with one or more banking institutions or brokerage firms as collateral for loans made by such entities to members of the Group. Such loans generally bear interest at a rate based on the broker's call rate from time to time in effect. Such indebtedness, if any, may be refinanced with other banks or broker-dealers.

### Item 4. Purpose of Transaction

We are filing this Second Amendment to report that Stilwell Activist Investments became a member of the Group through the purchase of shares of Common Stock on April 30, 2013.

Our purpose in acquiring shares of Common Stock of the Issuer is to profit from the appreciation in the market price of the shares of Common Stock through asserting shareholder rights. We do not believe the value of the Issuer's assets is adequately reflected in the current market price of the Issuer's Common Stock.

Since 2000, affiliates of the Group have filed Schedule 13Ds to report greater than five percent positions in 47 other publicly traded companies. For simplicity, these affiliates are referred to as the “Group”, “we”, “us”, or “our.” In each instance, our purpose has been to profit from the appreciation in the market price of the shares we held by asserting shareholder rights. In each situation, we believed that the values of the companies’ assets were not adequately reflected in the market prices of their shares. The filings are described below.

On May 1, 2000, we filed a Schedule 13D to report a position in Security of Pennsylvania Financial Corp. (“SPN”). We scheduled a meeting with senior management to discuss ways to maximize the value of SPN's assets. On June 2, 2000, prior to the scheduled meeting, SPN and Northeast Pennsylvania Financial Corp. announced SPN's acquisition. We then sold our shares on the open market.

On July 7, 2000, we filed a Schedule 13D to report a position in Cameron Financial Corporation (“Cameron”). We exercised our shareholder rights by, among other things, requesting that Cameron management hire an investment banker, demanding Cameron's list of shareholders, meeting with Cameron's management, demanding that Cameron invite our representatives to join the board, writing to other Cameron shareholders to express our dismay with management's inability to maximize shareholder value and publishing that letter in the local press. On October 6, 2000, Cameron announced its sale to Dickinson Financial Corp., and we sold our shares on the open market.

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On January 4, 2001, following the announcement by Community Financial Corp. ("CFIC") of the sale of two of its four subsidiary banks and its intention to sell one or more of its remaining subsidiaries, we filed a Schedule 13D to report our position. We reported that we acquired CFIC stock for investment purposes. On January 25, 2001, CFIC announced the sale of one of its remaining subsidiaries. We then announced our intention to run an alternate slate of directors at the 2001 annual meeting if CFIC did not sell the remaining subsidiary by then. On March 27, 2001, we wrote to CFIC confirming that CFIC had agreed to meet with one of our proposed nominees to the board. On March 30, 2001, before our meeting took place, CFIC announced its merger with First Financial Corporation, and we sold our shares on the open market.

On February 23, 2001, we filed a Schedule 13D to report a position in Montgomery Financial Corporation ("Montgomery"). On April 20, 2001, we met with Montgomery's management, and suggested that they maximize shareholder value by selling the institution. We also informed management that we would run an alternate slate of directors at the 2001 annual meeting unless Montgomery were sold. Eleven days after we filed our Schedule 13D, however, Montgomery's board amended its bylaws to make it more difficult for us to run an alternate slate by limiting the pool of potential nominees to local persons with a banking relation and shortening the deadline to nominate an alternate slate. We located qualified nominees under the restrictive bylaw provisions and noticed our slate within the deadline. On June 5, 2001, Montgomery announced that it had hired a banker to explore a sale. On July 24, 2001, Montgomery announced its merger with Union Community Bancorp.

On June 14, 2001, we filed a Schedule 13D reporting a position in HCB Bancshares, Inc. ("HCBB"). On September 4, 2001, we reported that we had entered into a standstill agreement with HCBB, under which HCBB agreed to: (a) add a director selected by us, (b) consider conducting a Dutch tender auction, (c) institute annual financial targets, and (d) retain an investment banker to explore alternatives if it did not achieve the financial targets. On October 22, 2001, our nominee, John G. Rich, Esq., was named to the board. On January 31, 2002, HCBB announced a modified Dutch tender auction to repurchase 20% of its shares. Although HCBB's outstanding share count decreased by 33% between the filing of our original Schedule 13D and August 2003, HCBB did not achieve the financial target. On August 12, 2003, HCBB announced it had hired a banker to assist in exploring alternatives for maximizing shareholder value, including a sale. On January 14, 2004, HCBB announced its sale to Rock Bancshares Inc. and we sold our shares on the open market.

On December 15, 2000, we filed a Schedule 13D reporting a position in Oregon Trail Financial Corp. ("OTFC"). In January 2001, we met with the management of OTFC to discuss our concerns that management was not maximizing shareholder value, and we proposed that OTFC voluntarily place our nominees on the board. OTFC rejected our proposal, and we announced our intention to solicit proxies to elect a board nominee. We demanded OTFC's shareholder list, but it refused. We sued OTFC in Baker County, Oregon, and the court ruled in our favor and sanctioned it. We also sued two OTFC directors alleging that one had violated OTFC's residency requirement and that the other had committed perjury. Both suits were dismissed pre-trial but we filed an appeal in one suit and were permitted to re-file the other suit in state court. On August 16, 2001, we started soliciting proxies to elect Kevin D. Padrick, Esq. to the board. We argued in our proxy materials that OTFC should have repurchased its shares at prices

below book value. OTFC announced the hiring of an investment banker. Then, the day after the 9/11 attacks, OTFC sued us in Portland, Oregon and moved to invalidate our proxies; the court denied the motion and the election proceeded.

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On October 12, 2001, OTFC's shareholders elected our candidate by a 2-1 margin. In the five months after the filing of our first proxy statement (i.e., from August 1, 2001 through December 31, 2001), OTFC repurchased approximately 15% of its shares. On March 12, 2002, we entered into a standstill agreement with OTFC. OTFC agreed to: (a) achieve annual targets for return on equity, (b) reduce their current capital ratio, (c) obtain advice from an investment banker regarding annual 10% stock repurchases, (d) re-elect our director to the board, (e) reimburse a portion of our expenses, and (f) withdraw their lawsuit. On February 24, 2003, OTFC and FirstBank NW Corp. announced their merger, and we sold substantially all of our shares on the open market.

On November 25, 2002, we filed a Schedule 13D reporting a position in American Physicians Capital, Inc. ("ACAP"). The Schedule 13D disclosed that on January 18, 2002, Michigan's insurance department had approved our request to solicit proxies to elect two directors to ACAP's board. On January 29, 2002, we noticed our intention to nominate two directors at the 2002 annual meeting. On February 20, 2002, we entered into a three-year standstill agreement with ACAP, providing for ACAP to add our nominee, Spencer L. Schneider, Esq., to its board. ACAP also agreed to consider using a portion of its excess capital to repurchase ACAP's shares in each of the fiscal years 2002 and 2003 so that its outstanding share count would decrease by 15% for each of those years. In its 2002 fiscal year, ACAP repurchased 15% of its outstanding shares; these repurchases were highly accretive to per-share book value. On November 6, 2003, ACAP announced a reserve charge and that it would explore options to maximize shareholder value. It also announced that it would exit the healthcare and workers' compensation insurance businesses. ACAP then announced that it had retained Sandler O'Neill & Partners, L.P., to assist the board. On December 2, 2003, ACAP announced the early retirement of its President and CEO. On December 23, 2003, ACAP named R. Kevin Clinton its new President and CEO. On June 24, 2004, ACAP announced that it had decided that the best means to maximize shareholder value would be to shed non-core businesses and focus on its core business line in its core markets. We increased our holdings in ACAP, and we announced that we intended to seek additional board representation. On November 10, 2004, ACAP invited Mr. Stilwell to sit on the board, and we entered into a new standstill agreement. This agreement was terminated in November 2007, with our nominees remaining on ACAP's board. On May 8, 2008, our nominees were re-elected to three-year terms expiring in 2011. On passage of federal healthcare legislation in 2010, ACAP became concerned about the fundamentals of its business and promptly acted to assess its strategic alternatives. On October 22, 2010, ACAP was acquired by The Doctors Company.

On June 30, 2003, we filed a Schedule 13D reporting a position in FPIC Insurance Group, Inc. ("FPIC"). On August 12, 2003, Florida's insurance department approved our request to hold more than 5% of FPIC's shares, to solicit proxies to hold board seats, and to exercise shareholder rights. On November 10, 2003, FPIC invited our nominee, John G. Rich, Esq., to join the board and we signed a confidentiality agreement. On June 7, 2004, we disclosed that because FPIC's management had taken steps to increase shareholder value and because its market price increased and reflected fair value in our estimation, we sold our shares on the open market, decreasing our holdings below five percent. Our nominee was invited to remain on the board after we sold our stake.

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On March 29, 2004, we filed a Schedule 13D reporting a position in Community Bancshares, Inc. ("COMB"). We disclosed our intention to meet with COMB's management and evaluate management's progress in resolving its regulatory issues, lawsuits, problem loans, and non-performing assets, and that we would likely support management if it effectively addressed COMB's challenges. On November 21, 2005, we amended our Schedule 13D and stated that although we believed that COMB's management had made good progress, COMB's return on equity would likely remain below average for the foreseeable future, and it should therefore be sold. On November 21, 2005, we also stated that if COMB did not announce a sale before our deadline to solicit proxies for the next annual meeting, we would solicit proxies to elect our own slate. On January 6, 2006, we disclosed the names of our three board nominees. On May 1, 2006, COMB announced its sale to The Banc Corporation, and we sold our shares on the open market.

On June 20, 2005, we filed a Schedule 13D reporting a position in Prudential Bancorp, Inc. of Pennsylvania ("PBIP"). Most of PBIP's shares are held by the Prudential Mutual Holding Company (the "MHC"), which is controlled by PBIP's board. The MHC controls most corporate decisions coming up for a shareholder vote, such as the election of directors. But regulations promulgated by the FDIC previously barred the MHC from voting on PBIP's management stock benefit plans, and PBIP's IPO prospectus indicated that the MHC would not vote on the plans. We announced in August 2005 that we would solicit proxies to oppose adoption of the plans as a referendum to place Mr. Stilwell on the board. PBIP decided not to put the plans up for a vote at the 2006 annual meeting.

In December 2005, we solicited proxies to withhold votes on the election of directors as a referendum to place Mr. Stilwell on the board. At the 2006 annual meeting, 71% of PBIP's voting public shares were withheld from voting on management's nominees.

On April 6, 2006, PBIP announced that just after we had filed our Schedule 13D, it had secretly solicited a letter from an FDIC staffer (which it concealed from the public) that the MHC would be allowed to vote in favor of the plans. PBIP also announced a special meeting to vote on the plans. We alerted the Board of Governors of the Federal Reserve System (the "Fed") about this announcement, and PBIP was directed to seek Fed approval before adopting the plans. On April 19, 2006, PBIP postponed the special meeting. The Fed subsequently followed the FDIC's position in September 2006. In December 2006, we solicited proxies to withhold votes on the election of PBIP's directors at the 2007 annual meeting. At the meeting, 75% of PBIP's voting public shares were withheld. Also during the annual meeting, PBIP's President and Chief Executive Officer, in response to a question posed by Mr. Stilwell, was unable to state the meaning of per share return on equity. On March 7, 2007, we disclosed that we were publicizing the results of PBIP's elections and its directors' unwillingness to hold a democratic vote on the stock plans by placing billboard advertisements throughout Philadelphia.

In December 2007, we filed proxy materials for the solicitation of proxies to withhold votes on the election of PBIP's directors at the 2008 annual meeting of shareholders. At the February 4, 2008 annual meeting, an average of 77% of PBIP's voting public shares withheld their votes. Excluding shares held in PBIP's ESOP, an average of 88% of the



voting public shares withheld their votes in this election.

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On October 4, 2006, we sued PBIP, the MHC, and the directors of PBIP and the MHC in federal court in Philadelphia seeking an order to prevent the MHC from voting in favor of the plans. On August 15, 2007, the court dismissed some claims, but sustained our cause of action against the MHC as majority shareholder of PBIP for breach of fiduciary duties. Discovery proceeded and all the directors were deposed. Both sides moved for summary judgment, but the court ordered the case to trial which was scheduled for June 2008. On May 22, 2008, we voluntarily discontinued the lawsuit after determining that it would be more effective and appropriate to pursue the directors on a personal basis in a derivative action. On June 11, 2008, we filed a notice to appeal certain portions of the lower court's August 15, 2007 order dismissing portions of the lawsuit.

We entered into a settlement agreement and an expense agreement with PBIP in November 2008 under which we agreed to support PBIP's stock benefit plans, drop our litigation and withdraw our shareholder demand, and generally support management, and, in exchange, PBIP agreed, subject to certain conditions, to repurchase up to 3 million of its shares (including shares previously purchased), reimburse a portion of our expenses, and either adopt a second step conversion or add our nominee who meets certain qualification requirements to its board if the repurchases were not completed by a specified time.

On March 5, 2010, we reported that our ownership in PBIP had dropped below 5 percent as a result of open market sales and sales of common stock to PBIP.

On January 19, 2006, we filed a Schedule 13D reporting a position in SCPIE Holdings Inc. ("SKP"). We announced we would run our slate of directors at the 2006 annual meeting and demanded SKP's shareholder list. SKP initially refused to timely produce the list, but did so after we sued it in Delaware Chancery Court. We engaged in a proxy contest at the 2006 annual meeting, but SKP's directors were elected. On December 14, 2006, SKP agreed to place Mr. Stilwell on the board. On October 16, 2007, Mr. Stilwell resigned from SKP's board after it approved a sale of SKP that Mr. Stilwell believed was an inferior offer. We solicited shareholder proxies in opposition to the proposed sale; however, the sale was approved.

On July 27, 2006, we filed a Schedule 13D reporting a position in Roma Financial Corp. ("ROMA"). Nearly 70% of ROMA's shares are held by a mutual holding company (like PBIP, NECB and WMPN) controlled by ROMA's board. In April 2007, we engaged in a proxy solicitation at ROMA's first annual meeting, urging shareholders to withhold their vote from management's slate. ROMA did not put their stock benefit plans up for a vote at that meeting. We then met with ROMA management. In the four months after ROMA became eligible to repurchase its shares, it promptly announced and substantially completed repurchases of 15% of its publicly held shares, which were accretive to shareholder value. In our judgment, management came to understand the importance of proper capital allocation. Based on ROMA management's prompt implementation of shareholder-friendly capital allocation plans, we supported management's adoption of stock benefit plans at the 2008 shareholder meeting, and we sold our shares in the open market.

On November 5, 2007, we filed a Schedule 13D reporting a position in NorthEast Community Bancorp, Inc. ("NECB"). A majority of NECB's shares are held by a mutual holding company (like PBIP, ROMA and WMPN) controlled by NECB's board. We presented a model stock benefit plan to management that we would support based on a vesting schedule that more closely aligns management's interests to shareholder returns. NECB's management responded to the proposal with a form letter. On July 1, 2010, we delivered a written demand to NECB demanding to inspect its shareholder list. On July 22, 2010, NECB announced its first ever share repurchase plan. NECB, however, refused to supply us with the shareholder list. Therefore, on July 23, 2010, we sued NECB in federal court in New York seeking an order compelling compliance. On August 31, 2010, NECB produced the list of shareholders to us and we dismissed the lawsuit. We have written to shareholders expressing our belief that NECB's directors have not properly overseen management. On October 3, 2011, we sent a letter to NECB's board of directors demanding that NECB expand the board with disinterested directors to consider a second step conversion. On November 2, 2011, we filed a lawsuit against NECB's board of directors, personally and derivatively, for abuse of a federal bank charter to perpetuate nepotism. On November 16, 2011, we sent a letter to the Securities and Exchange Commission arguing that Part II, Item 1 of NECB's Form 10-Q, filed on November 14, 2011, is misleading in regards to our lawsuit.

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On May 23, 2008, we filed a Schedule 13D reporting a position in William Penn Bancorp, Inc. ("WMPN"). A majority of WMPN's shares are held by a mutual holding company (like PBIP, ROMA and NECB) controlled by WMPN's board. We hope to work with management in maximizing shareholder value. We provided a PowerPoint presentation to management regarding our views on capital allocation.

On May 30, 2008, we filed a Schedule 13D reporting a position in Malvern Federal Bancorp, Inc. ("MLVF"). When we announced our reporting position, a majority of MLVF's shares were held by a mutual holding company (like NECB, PBIP, ROMA, and WMPN) controlled by MLVF's board. On October 26, 2010, we mailed a letter to MLVF demanding that it pursue a derivative action against its directors for breach of their fiduciary duties. MLVF failed to pursue the action and, on June 3, 2011, we sued MLVF's directors demanding that the court, among other things, order the directors to properly consider pursuing a second step conversion. On November 9, 2011, The Honorable Judge Howard F. Riley, Jr., overruled the director defendants' preliminary objections to the derivative lawsuit. On January 17, 2012, MLVF announced its intention to undertake a second step conversion and we withdrew the lawsuit. On August 22, 2012, MLVF announced commencement of its stock offering in connection with the conversion. The conversion and stock offering were completed on October 11, 2012, and our shares were converted into shares of Malvern Bancorp, Inc.

On November 7, 2008, we filed a Schedule 13D reporting a position in Kingsway Financial Services Inc. ("KFS"). We requested a meeting with its CEO and chairman to discuss ways to maximize shareholder value and minimize both operational and balance sheet risks, but the CEO was unresponsive. We then requisitioned a special shareholder meeting to remove the CEO and chairman from the KFS board and replace them with our two nominees. On January 7, 2009, we entered into a settlement agreement with KFS whereby, among other things, the CEO resigned from the KFS board and KFS expanded its board from nine to ten seats and appointed our nominees to fill the two vacant seats on the board. By April 23, 2009, the board was reconstituted with just three of the original ten legacy directors remaining. Also, Joseph Stilwell was appointed to fill the vacancy created by the resignation of one of our nominees, Larry G. Swets, Jr., and our other nominee, Spencer L. Schneider, was elected chairman of the board. In addition, the CEO and CFO were fired for incompetence and insubordination. By November 3, 2009, all of the legacy directors had resigned from the board. On May 27, 2010, Mr. Stilwell and Mr. Schneider were re-elected to the board. On June 1, 2010, Mr. Swets was appointed CEO. During the time the Group has had board representation, KFS has sold non-core assets, repurchased public debt at a discount to face value, sold a credit-sensitive asset, disposed of its subsidiary Lincoln General, substantially reduced its expenses, and reduced other balance sheet and operations risks.

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On December 29, 2008, we filed a Schedule 13D reporting a position in First Savings Financial Group, Inc. ("FSFG"). We met with management in New York. FSFG announced a stock repurchase plan and began repurchasing its shares. In December 2009, we reported that our beneficial ownership in the outstanding FSFG common stock had fallen below 5 percent.

On March 12, 2009, we filed a Schedule 13D reporting a position in Alliance Bancorp, Inc. of Pennsylvania ("ALLB"). When we announced our reporting position, a majority of ALLB's shares were held by a mutual holding company (like NECB, PBIP, ROMA and WMPN) controlled by ALLB's board. However, on August 11, 2010, ALLB announced its intention to undertake a second step offering, selling all shares to the public. The plan of conversion and reorganization was approved by depositors at a special meeting held December 29, 2010. We strongly supported ALLB's action. Following completion of the conversion of Alliance Bank from the mutual holding company structure to the stock holding company structure, we increased our stake with the belief that shareholders and ALLB will do well if management focuses on profitability.

On September 24, 2010, we filed a Schedule 13D reporting a position in FedFirst Financial Corporation ("FFCO"). We hope to work with management and the board to maximize shareholder value.

On October 8, 2010, we filed a Schedule 13D reporting a position in Wayne Savings Bancshares, Inc. ("WAYN"). We hope to work with management and the board to maximize shareholder value.

On October 18, 2010, we filed a Schedule 13D reporting a position in Standard Financial Corp. ("STND"). On March 19, 2013, we disclosed that we sold shares on the open market, decreasing our holdings below five percent.

On January 3, 2011, we filed a Schedule 13D reporting a position in Home Federal Bancorp, Inc. of Louisiana ("HFBL"). On February 7, 2013, we disclosed that we sold shares on the open market, decreasing our holdings below five percent.

On February 7, 2011, we filed a Schedule 13D reporting a position in Wolverine Bancorp, Inc. ("WBKC"). We hope to work with management and the board to maximize shareholder value.

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On February 28, 2011, we filed a Schedule 13D reporting a position in SP Bancorp, Inc. ("SPBC"). We hope to work with management and the board to maximize shareholder value.

On March 28, 2011, we filed a Schedule 13D reporting a position in Eureka Financial Corp. ("EKFC"). We hope to work with management and the board to maximize shareholder value.

On April 1, 2011, we filed a Schedule 13D reporting a position in Harvard Illinois Bancorp, Inc. ("HARI"). On February 7, 2012, we stated our intention to nominate a director at HARI's 2012 annual meeting of stockholders and also disclosed the names of our nominee and alternate nominee. On March 2, 2012, we sent a letter to HARI's stockholders expressing our belief that HARI should seek a stronger community bank as a merger partner. We mailed our proxy materials to HARI's stockholders in April 2012 seeking election of our nominee. On May 25, 2012, we reported that our nominee was not elected to the HARI board of directors and that we intended to run a board nominee at the HARI annual stockholders meeting in 2013. On March 15, 2013, we filed preliminary proxy materials with the Securities and Exchange Commission in preparation for soliciting proxies to elect our nominee (or alternate nominee) as a director at HARI's 2013 annual meeting of stockholders. We mailed our proxy materials to HARI's stockholders on April 3, 2013 seeking election of our nominee.

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On April 11, 2011, we filed a Schedule 13D reporting a position in Fraternity Community Bancorp, Inc. ("FRTR"). We hope to work with management and the board to maximize shareholder value.

On April 18, 2011, we filed a Schedule 13D reporting a position in Sunshine Financial, Inc. ("SSNF"). We hope to work with management and the board to maximize shareholder value.

On July 5, 2011, we filed a Schedule 13D reporting a position in Jacksonville Bancorp, Inc. ("JXSB"). We hope to work with management and the board to maximize shareholder value.

On July 11, 2011, we filed a Schedule 13D reporting a position in Naugatuck Valley Financial Corporation ("NVSL"). We hope to work with management and the board to maximize shareholder value.

On August 24, 2011, we filed a Schedule 13D reporting a position in Colonial Financial Services, Inc. ("COBK"). We hope to work with management and the board to maximize shareholder value.

On September 12, 2011, we filed a Schedule 13D reporting a position in First Financial Northwest, Inc. ("FFNW"). On January 11, 2012, Spencer L. Schneider became a member of FFNW's Board. On February 15, 2012, Mr. Schneider resigned and we announced our intention to run a contested election at FFNW's 2012 annual meeting of shareholders. We mailed our proxy materials to FFNW's shareholders in April 2012 seeking election of our nominee. At FFNW's 2012 annual meeting of shareholders held on May 24, 2012, our nominee beat Victor Karpiak, the Chairman and President, by a substantial percentage. FFNW attempted to invalidate our votes and we sued to enforce our rights. In accordance with the settlement we reached with FFNW in December 2012, our nominee, Kevin Padrick, was appointed to FFNW's board on March 14, 2013, and Victor Karpiak resigned as Chairman.

On September 23, 2011, we filed a Schedule 13D reporting a position in Poage Bankshares, Inc. ("PBSK"). We hope to work with management and the board to maximize shareholder value.

On September 29, 2011, we filed a Schedule 13D reporting a position in United Insurance Holdings Corp. ("UIHC"). On December 17, 2012, we disclosed that we sold shares on the open market, decreasing our holdings below five percent.

On October 7, 2011, we filed a Schedule 13D reporting a position in Provident Financial Holdings, Inc. (“PROV”). We hope to work with management and the board to maximize shareholder value.



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On October 24, 2011, we filed a Schedule 13D reporting a position in ASB Bancorp, Inc. ("ASBB"). We hope to work with management and the board to maximize shareholder value.

On January 19, 2012, we filed a Schedule 13D reporting a position in West End Indiana Bancshares, Inc. ("WEIN"). We hope to work with management and the board to maximize shareholder value.

On March 5, 2012, we filed a Schedule 13D reporting a position in IF Bancorp, Inc. ("IROQ"). We hope to work with management and the board to maximize shareholder value.

On May 7, 2012, we filed a Schedule 13D reporting a position in Anchor Bancorp ("ANCB"). We hope to work with management and the board to maximize shareholder value.

On July 23, 2012, we filed a Schedule 13D reporting a position in Georgetown Bancorp, Inc. ("GTWN"). We hope to work with management and the board to maximize shareholder value.

On September 21, 2012, we filed a Schedule 13D reporting a position in Fairmount Bancorp, Inc. ("FMTB"). We hope to work with management and the board to maximize shareholder value.

On October 22, 2012, we filed a Schedule 13D reporting a position in Hamilton Bancorp, Inc. ("HBK"). We hope to work with management and the board to maximize shareholder value.

On November 23, 2012, we filed a Schedule 13D reporting a position in Polonia Bancorp, Inc. ("PBCP"). We hope to work with management and the board to maximize shareholder value.

On November 29, 2012, we filed a Schedule 13D reporting a position in TF Financial Corporation ("THRD"). We hope to work with management and the board to maximize shareholder value.

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On January 22, 2013, we filed a Schedule 13D reporting a position in United Community Bancorp ("UCBA"). We hope to work with management and the board to maximize shareholder value.

On February 25, 2013, we filed a Schedule 13D reporting a position in HopFed Bancorp, Inc. ("HFBC"). On March 18, 2013, we filed preliminary proxy materials with the Securities and Exchange Commission in preparation for soliciting proxies to elect our nominee (or alternate nominee) as a director at HFBC's 2013 annual meeting of stockholders. We mailed our proxy materials to HFBC's stockholders on April 5, 2013 seeking election of our nominee.

On April 8, 2013, we filed a Schedule 13D reporting a position in Jefferson Bancshares, Inc. ("JFBI"). We hope to work with management and the board to maximize shareholder value.

Members of the Group may seek to make additional purchases or sales of shares of Common Stock. Except as described in this filing, no member of the Group has any plans or proposals which relate to, or could result in, any of the matters referred to in paragraphs (a) through (j), inclusive, of Item 4 of Schedule 13D. Members of the Group may, at any time and from time to time, review or reconsider their positions and formulate plans or proposals with respect thereto.

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**Item 5. Interest in Securities of the Issuer**

The percentages used in this filing are calculated based on the number of outstanding shares of Common Stock, 2,587,544, reported as of March 28, 2013, in the Issuer's Schedule 14A filed with the Securities and Exchange Commission on April 19, 2013. All purchases and sales of shares of Common Stock reported herein were made in open-market transactions.

(A) Stilwell Value Partners V

(a) Aggregate number of shares beneficially owned: 256,083  
 Percentage: 9.9%

- (b) 1. Sole power to vote or to direct vote: 0
- 2. Shared power to vote or to direct vote: 256,083
- 3. Sole power to dispose or to direct the disposition: 0
- 4. Shared power to dispose or to direct disposition: 256,083

(c) Within the past 60 days, Stilwell Value Partners V sold shares of Common Stock as follows:

<u>Date</u>	<u>Number of Shares (Sold)</u>	<u>Price Per Share</u>	<u>Total (Sale) Price</u>
04/30/13	(9,000)	\$12.48	\$(112,320)

(d) Because he is the managing member and 99% owner of Stilwell Value LLC, which is the general partner of Stilwell Value Partners V, Joseph Stilwell has the power to direct the affairs of Stilwell Value Partners V, including the voting and disposition of shares of Common Stock held in the name of Stilwell Value Partners V. Therefore, Joseph Stilwell is deemed to share voting and disposition power with Stilwell Value Partners V with regard to those shares of Common Stock.

(B) Stilwell Activist Fund

(a) Aggregate number of shares beneficially owned: 256,083  
Percentage: 9.9%

- (b) 1. Sole power to vote or to direct vote: 0
- 2. Shared power to vote or to direct vote: 256,083
- 3. Sole power to dispose or to direct the disposition: 0
- 4. Shared power to dispose or to direct disposition: 256,083

(c) Within the past 60 days, Stilwell Activist Fund purchased shares of Common Stock as follows:

<u>Date</u>	<u>Number of Shares Purchased</u>	<u>Price Per Share</u>	<u>Total Purchase Price</u>
04/30/13	1,800	\$12.48	\$22,464

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(d) Because he is the managing member and 99% owner of Stilwell Value LLC, which is the general partner of Stilwell Activist Fund, Joseph Stilwell has the power to direct the affairs of Stilwell Activist Fund, including the voting and disposition of shares of Common Stock held in the name of Stilwell Activist Fund. Therefore, Joseph Stilwell is deemed to share voting and disposition power with Stilwell Activist Fund with regard to those shares of Common Stock.

(C) Stilwell Activist Investments

(a) Aggregate number of shares beneficially owned: 256,083  
 Percentage: 9.9%

- (b) 1. Sole power to vote or to direct vote: 0
- 2. Shared power to vote or to direct vote: 256,083
- 3. Sole power to dispose or to direct the disposition: 0
- 4. Shared power to dispose or to direct disposition: 256,083

(c) Within the past 60 days, Stilwell Activist Investments purchased shares of Common Stock as follows:

<u>Date</u>	<u>Number of Shares Purchased</u>	<u>Price Per Share</u>	<u>Total Purchase Price</u>
04/30/13	7,200	\$12.48	\$89,856

(d) Because he is the managing member and 99% owner of Stilwell Value LLC, which is the general partner of Stilwell Activist Investments, Joseph Stilwell has the power to direct the affairs of Stilwell Activist Investments, including the voting and disposition of shares of Common Stock held in the name of Stilwell Activist Investments. Therefore, Joseph Stilwell is deemed to share voting and disposition power with Stilwell Activist Investments with regard to those shares of Common Stock.

(D) Stilwell Partners

(a) Aggregate number of shares beneficially owned: 256,083

Percentage: 9.9%

Douglas J. Kelley  
 Robert E. Sewick  
 Ronald L. Justice  
 Dennis E. Leyder  
 Holly J. Pingatore

No options were exercised and no shares were awarded during the fiscal year ended December 31, 2006

**2006 SUPPLEMENTAL RETIREMENT BENEFITS**

Fentura Financial, Inc. and The State Bank have entered into Supplemental Executive Retirement Agreements (SERP Agreements) with Mr. Donald L. Grill and Mr. Robert E. Sewick. The SERP Agreements are designed to encourage executives to remain long term employees of the Corporation, and to provide specified benefits to certain key executives who contribute materially to the continued growth, development and future business success of the Corporation. The retirement benefits are an unsecured obligation of the Corporation. The Corporation has purchased certain prepaid life insurance policies and expects to apply investment earnings on the policies to pay for all or a portion of the annual costs for the SERP Agreements.

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service</b>	<b>Present Value of Accumulated Benefit (1)</b>	<b>Payments During Last Fiscal Year (2)</b>
Donald L. Grill	Supplemental Executive Retirement Plan	10.0	\$ 226,505	
Robert E. Sewick	Supplemental Executive Retirement Plan	7.5	\$ 95,247	

(1) Amounts show the present value of accumulated benefits payable to each of the named executive officers, including the number of years of service credited to each such named executive officer, under the Supplemental Executive

Retirement Plan determined using interest rate and mortality rate assumptions consistent with those used the Company's financial statement. Amounts included may not currently be available to named executive officers because such amounts are not vested. Vesting begins at age 55 and full vesting occurs at age 60.

- (2) Annual payments are accrued based on the named executive's retirement benefit at normal retirement age. The Plan's target retirement benefit is an annual retirement payment equal to a percentage of the executive's projected final salary, 25% for Mr. Grill and 20% for Mr. Sewick.

**Table of Contents****2006 NONQUALIFIED DEFERRED COMPENSATION**

The Corporation and the Affiliate Banks have established a Non-Qualified Deferred Compensation Plan (the Plan) for key executives not covered under the SERP. The plan is designed to encourage highly compensated officers to remain long term employees of the Corporation and the Affiliate Banks, and to provide the officers with supplemental retirement income.

<b>Name</b>	<b>Executive Contributions in Last FY</b>	<b>Registrant Contributions in Last FY (1)</b>	<b>Aggregate Earnings in Last FY (2)</b>	<b>Aggregate Withdrawals/ Distributions</b>	<b>Aggregate Balance at Last FYE</b>
Douglas J. Kelley		\$ 4,196	\$ 179		\$ 8,493
Ronald L. Justice		\$ 4,842	\$ 878		\$ 25,905
Dennis E. Leyder		\$ 4,826	\$ 747		\$ 22,748
Holly J. Pingatore		\$ 3,919	\$ 184		\$ 8,341

(1) Discretionary contributions to the plan may be granted each Plan year by the Corporation's Board of Directors based on financial performance of the Corporation and in an amount up to 5% of the participant's annual compensation. Discretionary contributions under the plan are credited to a deferred compensation account (the Account) established and maintained for each participant.



Participants shall vest in their account based on the Plan's schedule which begins at 3 years of service and is fully vested after 7 years of service.

- (2) Interest is earned on the deferred compensation based on the U.S. Treasury 5 year rate at the end of each calendar year. The interest along with the deferred compensation is credited to the deferred compensation account.

#### **Qualified Retirement Plans**

The Corporation and the Affiliate Banks offer all employees two separate qualified retirement plans, the first of which is the Employee Stock Ownership Plan (ESOP) and the second is a 401k profit sharing plan. The ESOP is 100% funded by the Corporation and/or Affiliate Banks. Based on Corporate earnings, the Corporate Board approves an amount to be distributed into the plan. In order to promote longevity with the Corporation, this plan includes a vesting schedule of seven years before a participant is fully vested. The 401k profit sharing plan allows participants to defer compensation, before taxes, in order to invest in various investment vehicles. Participants also receive a corporate match of 100% on the first 3% and 50% on the next 2% (participants are allowed to defer up to 15%) of their annual compensation.

#### **Potential Post-Employment Payments**

##### **Payments upon Termination/Change in Control**

The Corporation and the Affiliated Banks have entered into Severance Compensation Agreements with each of Messrs. Grill, Kelley, Sewick, Justice, Leyder, and Ms. Pingatore. Under each of these agreements, if a change in control occurs while the Executive is an employee of the Corporation or the Affiliate Bank, and if within five years thereafter the Executive's employment is

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terminated without cause, by the Executive for good reason, or by either party because of the Executive's death or disability, then the Corporation and the Affiliate Bank are required to pay the Executive an annual amount equal to 50% of the highest amount of the Executive's annual compensation in the five preceding calendar years, with such payments being made for a period of time ranging from one to five years, as specified in each Executive's agreement (Grill, Justice and Sewick 5 years; Leyder 2 years; Kelley and Pingatore 1 year). In the case of Mr. Grill and Mr. Sewick, the Executive may also be entitled to payment for certain excise, income and other taxes that such Executive may become subject to as a result of Section 280G of the Internal Revenue Code (i.e. tax gross-up payments). In contrast, the Executives other than Mr. Grill and Mr. Sewick are to have their payments reduced to the extent necessary to avoid such excise and other taxes. Each Executive is also entitled to the acceleration of vesting of any outstanding stock options and/or restricted stock upon a change in control.

Change in Control means (i) the acquisition, directly, indirectly and/or beneficially, by any person or group, of more than fifty percent (50%) of the voting securities of the Corporation or the Bank, (ii) the occurrence of any event at any time during any two (2) year period which results in a majority of the Board of Directors of the Corporation or the Bank being comprised of individuals who were not members of such Board at the commencement of that two (2) year period (the Incumbent Board); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's or the Bank's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of the office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board, (iii) a sale of all or substantially all of the assets of the Corporation or the Bank to another entity, or (iv) a merger or reorganization of the Corporation or the Bank with another entity.

Cause means (i) the willful and continuing failure by the Executive to substantially perform his duties with the Bank or the Corporation (other than any such failure resulting from the Executive's death or Disability) and which is not remedied in a reasonable period of time after receipt by Executive of written notice from the Bank specifying the duties the Executive has failed to perform, or (ii) the willful and continued engaging by Executive in gross misconduct that is materially injurious to the Bank or the Corporation and which is not ceased within a reasonable period of time after receipt by Executive of written notice from the Bank specifying the misconduct and the injury, or (iii) an adjudication of the Executive's guilt of any crime involving a serious and substantial breach of the Executive's fiduciary duties to the Bank. No act or failure to act on the Executive's part shall be considered willful unless done, or omitted to be done, by him in bad faith and without reasonable belief that his action or omission was in the best interest of the Bank or the Corporation.

Good Reason means any of the following, as determined by the Executive in his discretion: (i) the assignment to the Executive by the Bank or the Corporation of any duties inconsistent with his position, duties, responsibilities and status with the Bank or the Corporation immediately prior to a Change in Control, or a change adverse to Executive in Executive's reporting responsibilities, titles, terms of employment (including bonus, compensation, fringe benefits and vacation entitlement) or offices as in effect immediately prior to a Change in Control; or (ii) the Bank or the Corporation requiring Executive to be based anywhere other than within fifteen (15) miles of his present office location, or to travel on business of the Bank to an extent substantially greater than Executive's present business travel obligations; or (iii) the failure by the Corporation to obtain the assumption of the agreement. If any of the foregoing result from, or follow, a termination of employment for Cause, then Good Reason will not have occurred.

Assuming, in accordance with applicable SEC rules that the foregoing executive officers were terminated on December 31, 2006 in the manner described above, the estimated aggregate total value of compensation and benefits (including the economic benefit resulting from the acceleration of options and

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restricted stock) from Severance Compensation Agreements would be as follows: Mr. Grill \$872,380, Mr. Kelley \$103,717, Mr. Sewick \$619,320, Mr. Justice \$449,754, Mr. Leyder \$197,138, and Ms. Pingatore \$91,443.

Additionally, under the change of control provisions of the Supplemental Executive Retirement Plans, assuming executive officers were terminated on December 31, 2006 in the manner described above, Mr. Grill would receive an additional \$881,119 and Mr. Sewick would receive an additional \$598,496.

**RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS**

The consolidated financial statements of the Corporation for the year ended December 31, 2006, have been examined by Crowe Chizek and Company LLC, independent certified public accountants. A representative of Crowe Chizek and Company is expected to be present at the annual meeting with the opportunity to make a statement, if desired, and will be available to respond to appropriate questions. The Corporation's Audit Committee selects the Corporation's auditors before the end of each calendar year.

**Fees Paid to Independent Accountants**

	2006	2005
Audit Fees	\$99,125	\$93,500
Audit-related Fees	\$54,060	\$34,020
Tax Fees	\$18,550	\$26,115
All Other Fees	\$ 8,221	\$ 0

The amount shown for Audit-related Fees for 2006 related to the development of tools designed to assist the Corporation in complying with certain provisions of the Sarbanes-Oxley Act and related consultation and advice.

The amounts shown for Tax Fees were for corporate tax compliance, tax advice and tax planning services.

The Audit Committee has considered whether the provision of these services is compatible with maintaining our principal auditors' independence. Following the adoption of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, our independent auditors are proscribed from offering certain services to us. None of those proscribed services were provided to us in 2006. The Corporation's Audit Committee has concluded that the provision of services covered under the caption All Other Fees is compatible with Crowe Chizek and Company LLC maintaining their independence. None of the hours expended on Crowe Chizek and Company LLC's engagement to audit the Corporation's consolidated financial statements for the year ended December 31, 2006, were attributed to work performed by persons other than Crowe Chizek and Company LLC's full-time, permanent employees.

The Charter of the Audit Committee provides that the Audit Committee will administer the Corporation's policy regarding the approval of audit and non-audit services. Under that policy, the Audit Committee must pre-approve all engagements of the Corporation's independent auditors. Before the end of the first quarter of each year, the retention of the independent auditors to audit the Corporation's financial statements, including the associated fee, is approved by the Audit Committee. At the same time, the Audit Committee will evaluate other known potential engagements of the independent auditors, including the scope of the work proposed to be performed and the proposed fees, and approve or reject each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent auditors' independence from management.

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At each subsequent meeting of the Audit Committee, the Audit Committee will receive updates on the services actually provided by the independent auditors and management may present additional services for approval. The Audit Committee has delegated to the Chairman of the Audit Committee the authority to evaluate and approve engagements on behalf of the Audit Committee in the event that the need arises for pre-approval between Audit Committee meetings. This might occur, for example, if the Corporation was proposing to execute a financing on an accelerated timetable. If the Chairman so approves any such engagements, he/she is required to report that approval to the full Audit Committee at the next Audit Committee meeting.

All of the services described above as Audit-related Fees and Tax Fees were approved under this policy.

**COMPLIANCE WITH SECTION 16 REPORTING**

The rules of the Securities and Exchange Commission require that the Corporation disclose late filings of reports of stock ownership (and changes in stock ownership) by its directors, executive officers and beneficial owners of more than 10% of the Corporation's common stock. Based solely on its review of the copies of such reports received by it, and written representations from certain reporting persons, the Corporation believes that during the year ended December 31, 2006, its directors, executive officers and beneficial owners of more than 10% of the Corporation's common stock have complied with all filing requirements applicable to them.

**OTHER INFORMATION**

**Annual Report on Form 10-K**

The Corporation will provide a copy of its 2006 Annual Report on SEC Form 10-K to any shareholder who asks for it in writing, without charge. Please direct your request to our Secretary, Ronald L. Justice, at 175 North Leroy Street, P.O. Box 725, Fenton, Michigan 48430. The Form 10-K and certain other periodic filings are filed with the Securities and Exchange Commission (SEC). The SEC maintains an Internet web site that contains reports and other information regarding companies, including the Corporation, that file electronically. The SEC's web site address is [www.sec.gov](http://www.sec.gov).

**Transactions with Certain Interested Parties**

The Company has Related Party Transactions provisions in its lending policies which require preapproval of any loans to a related party with a subsidiary Bank by a majority of disinterested board members of the Board of Directors. Additionally, the Board reaffirms all debt with related parties at least annually.

Certain directors and officers of the Corporation have had and are expected to have in the future, transactions with the subsidiaries of the Corporation, or have been directors or officers of corporations, or members of partnerships, which have had and are expected to have in the future, transactions with the subsidiaries of the Corporation. All such transactions with officers and directors, either directly or indirectly, have been made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and these transactions do not involve more than the normal risk of collection or present other unfavorable features. All such future transactions, including transactions with principal shareholders and other Corporation affiliates, will be made in the ordinary course of business, on terms no

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less favorable to the Corporation than with other customers, and will be subject to approval by a majority of the Corporation's independent, outside disinterested directors.

**Shareholder Proposals**

An eligible shareholder who wants to have a qualified proposal considered for inclusion in the proxy statement for the 2008 Annual Meeting of Shareholders must notify the Corporation's Secretary by delivering a copy of the proposal to the Corporation's offices no later than November 26, 2007. If a shareholder notifies the Corporation after 45 days before the first anniversary of the date on which this Proxy Statement is first mailed of an intent to present a proposal at the 2008 annual meeting of shareholders, the Corporation will have the right to exercise its discretionary voting authority with respect to such proposal without including information regarding such proposal in its proxy materials.

**Expenses of Solicitation**

The Corporation pays the cost of preparing, assembling and mailing this proxy-soliciting material. In addition to the use of the mail, proxies may be solicited personally, by telephone or telegraph, or by the Corporation's officers and employees without additional compensation. The Corporation pays all costs of solicitation, including certain expenses of brokers and nominees who mail proxy material to their customers or principals.

**BY ORDER OF THE BOARD OF DIRECTORS,**

Dated: March 22, 2007

See enclosed voting (proxy) form please sign and mail promptly.

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**P.O. Box 725  
Fenton, Michigan 48430-0725  
ANNUAL MEETING OF SHAREHOLDERS  
THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS  
Please complete, date, sign and mail the  
detached proxy card in the enclosed postage-prepaid envelope.**

DETACH PROXY CARD HERE

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this Proxy will be voted FOR all nominees listed in No. 1.

If you personally plan to attend the Annual Meeting of Shareholders, please check the box below and list names of attendees on reverse side.

Signature

Return this stub in the enclosed envelope with your completed proxy card.

Signature

I/We do plan to attend the Annual meeting.

Date

Please sign exactly as your name appears above. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Number attending \_\_\_\_\_

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**PROXY FENTURA FINANCIAL, INC.**  
Annual Meeting of Shareholders, April 24, 2007

The undersigned hereby appoints Donald L. Grill and Thomas L. Miller as Proxies, each with the power to appoint his substitute, and hereby authorized them to represent and to vote, as designated below, all the shares of Common Stock of Fentura Financial, Inc. held of record by the undersigned on March 14, 2007 at the Annual Meeting of Shareholders to be held April 24, 2007 and at any adjournment thereof.

1. In the election of three directors (Class I), each to be elected for term expiring in 2010.

o **FOR** the nominees listed below    o **WITHHOLD AUTHORITY** to vote for the nominees listed below

J. David Karr

Thomas P. McKenney

Brian P. Petty

*(INSTRUCTION: To withhold authority to vote for any individual nominee strike a line through the nominee's name in the list above.)*

2. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.