INDEPENDENT BANK CORP /MI/
Form S-4
January 27, 2010
As filed with the Securities and Exchange Commission on January 27, 2010

Registration No. 333-__________

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Independent Bank Corporation

(Exact name of registrant as specified in its charter)

Michigan **(State or other jurisdiction of incorporation or organization)**	**6021** **(Primary Standard Industrial Classification Code Number)**	**38-2032782** **(I.R.S. Employer Identification Number)**

230 West Main Street

Ionia, Michigan 48846

(616) 527-9450

(Address, including zip code, and telephone number, including area code,

of registrant's principal executive offices)

Robert N. Shuster

Chief Financial Officer

230 West Main Street

Ionia, Michigan 48846

(616) 527-9450

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Michael G. Wooldridge

Varnum LLP

333 Bridge Street, P.O. Box 352

Grand Rapids, Michigan 49501-0352

(616) 336-6000

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third Party Tender Offer) ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value $1.00 per share	180,200,000(1)	N/A	$65,670,320(2)	$4,682.29

(1) This registration statement registers the estimated maximum number of shares of common stock of Independent Bank Corporation (the "Company"), par value $1.00 per share, that may be issued in connection with the exchange offers by the Company for any and all of the $50,600,000 in aggregate liquidation amount of the outstanding trust preferred securities of IBC Capital Finance II, $12,000,000 in aggregate liquidation amount of the outstanding trust preferred securities of IBC Capital Finance III, $20,000,000 in aggregate liquidation amount of the outstanding trust preferred securities of IBC Capital Finance IV, and $7,500,000 in aggregate liquidation amount of the outstanding trust preferred securities of Midwest Guaranty Trust I.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(f)(1), 457(f)(2) and 457(c) under the Securities Act of 1933, as amended (the "Securities Act"), and based upon the book value and market value of the trust preferred securities solicited for exchange. The proposed maximum aggregate offering price was calculated as follows: the sum of (i) $12,000,000, the book value of the trust preferred securities of IBC Capital Finance III on January 22, 2010; (ii) $20,000,000, the book value of the trust preferred securities of IBC Capital Finance IV on January 22, 2010; (iii) $7,500,000, the book value of the trust preferred securities of Midwest Guaranty Trust I on January 22, 2010; and (iv) the product of (a) $12.93 the average of the high and low prices of the trust preferred securities of IBC Capital Finance II on January 22, 2010 and (b) 2,024,000, the maximum number of trust preferred securities of IBC Capital Finance II that could be accepted for exchange in the exchange offer.

(3) Computed in accordance with Section 6(b) of the Securities Act by multiplying .00007130 by the proposed maximum aggregate offering price.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not complete the exchange offer and issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 27, 2010

PROSPECTUS

Offers to Exchange

Up to 180,200,000 Shares of Common Stock of Independent Bank Corporation for any and all Trust Preferred Securities issued by IBC Capital Finance II, IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and in the related letter of transmittal, up to 180,200,000 newly issued shares of our common stock for properly tendered and accepted trust preferred securities issued by IBC Capital Finance II (Nasdaq: IBCPO), IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I.

The exchange offers will expire at 11:59 p.m., Eastern Time, on [ ], 2010, unless extended or earlier terminated by us (such date and time, as it may be extended, the "Expiration Date"). In order to receive the applicable Early Tender Premium Value per Liquidation Amount shown in the table below, holders must tender by 5:00 p.m., Eastern Time, on [ ], 2010, unless that deadline is extended by us (such date and time, as it may be extended, the "Early Tender Premium Deadline"). Tenders may be withdrawn at any time prior to the Expiration Date.

For each trust preferred security that we accept for exchange in accordance with the terms of the applicable exchange offer, we will issue a number of shares of our common stock having an aggregate dollar value (the "Exchange Value") set forth in the table below or, in the case of a trust preferred security tendered on or prior to the Early Tender Premium Deadline, having an aggregate dollar value equal to the applicable Exchange Value plus the Early Tender Premium Value set forth in the table below.

We refer to the number of shares of common stock we will issue for each trust preferred security we accept for exchange as the "exchange ratio." In determining the exchange ratio, the value per share of common stock will be the "Relevant Price," which is equal to the average volume weighted average price per share, or "Average VWAP," of our common stock for the five consecutive trading day period ending on and including the second trading day immediately preceding the Expiration Date, as it may be extended (we refer to such period as the "Pricing Period" and such Expiration Date as the "Pricing Date"); however, if an extension to the Expiration Date is announced following the start of the Pricing Period, we do not currently expect such extension to affect the Pricing Period or the Pricing Date. Depending on the trading price of our common stock on the settlement date of an exchange offer compared to the price established by this procedure, the market value of the common stock we issue in exchange for each trust preferred security we accept for exchange may be less than, equal to, or greater than the applicable Exchange Value or Total Exchange Value referred to in the table below.

The table below sets forth certain information regarding the series of trust preferred securities that are the subject of the exchange offers. **You will be eligible to receive a number of shares of common stock with the Total Exchange Value set forth in the table below only if you validly tender your trust preferred securities on or prior to the Early Tender Premium Deadline and do not subsequently withdraw such trust preferred securities, subject to our completion of the applicable exchange offer pursuant to the terms described in this prospectus and the related letter of transmittal.**

CUSIP	Title of Securities	Issuer	Aggregate Liquidation Amount Outstanding	Liquidation Amount per Trust Preferred Security	Exchange Value	Early Tender Premium Value	Total Exchange Value
					(per Liquidation Amount)		
44921B 20 8	8.25% Cumulative Trust Preferred Securities	IBC Capital Finance II	$ 50,600,000	$ 25	$ [ ]	$ [ ]	$ [ ]
44921N AA 1	Floating Rate Trust Preferred Securities	IBC Capital Finance III	$ 12,000,000	$1,000	$ [ ]	$ [ ]	$ [ ]
44921T AA 8	Floating Rate Trust Preferred Securities	IBC Capital Finance IV	$ 20,000,000	$1,000	$ [ ]	$ [ ]	$ [ ]
N/A	Floating Rate Trust Preferred Securities	Midwest Guaranty Trust I	$ 7,500,000	$1,000	$ [ ]	$ [ ]	$ [ ]

We encourage you to read and carefully consider this prospectus in its entirety, in particular the risk factors beginning on page 15, for a discussion of factors that you should consider with respect to these offers.

The shares of common stock offered in the exchange offers are not savings accounts, deposits, or other obligations of any of our bank or non-bank subsidiaries and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission (the "SEC"), any state securities commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, nor any other regulatory body has approved or disapproved of the exchange offers or of the securities to be issued in the exchange offers or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Our obligation to complete the exchange offers is subject to a number of conditions that must be satisfied or, if permissible under applicable law, waived by us prior to the Expiration Date. Our obligation to complete the exchange offers is not subject to any minimum tender condition.

Our common stock is listed on the Nasdaq Global Select Market ("Nasdaq GSM") under the symbol "IBCP". As of January 26, 2010, the closing sale price for our common stock on the Nasdaq GSM was $1.03 per share. We currently expect that the shares of common stock to be issued in this exchange offer will be approved for listing on the Nasdaq GSM. However, our common stock may be delisted from the Nasdaq GSM in the near future. Please see "Market Price, Dividend, and Distribution Information" on page 131 for more information.

None of IBC, the trustees of IBC Capital Finance II, IBC Capital Finance III, IBC Capital Finance IV, or Midwest Guaranty Trust I, the Dealer Manager, the Exchange Agent, the Information Agent, or any other person is making any recommendation as to whether you should tender all or any portion of your trust preferred securities. You must make your own decision after reading this prospectus and consulting with your advisors, if necessary.

The date of this prospectus is [ ], 2010.

Dealer Manager

Stifel, Nicolaus & Company, Inc.

501 N. Broadway
St. Louis, MO 63102
Tel: (314) 342-4054

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IMPORTANT

All of the trust preferred securities issued by IBC Capital Finance II, IBC Capital Finance III, and IBC Capital Finance IV were issued in book-entry form and are currently represented by one or more global certificates held for the account of The Depository Trust Company ("DTC"). You may tender any of these trust preferred securities by transferring them through DTC's Automated Tender Offer Program ("ATOP") or by following the other procedures described under "The Exchange Offers Procedures for Tendering" on page 123 below. The trust preferred securities issued by Midwest Guaranty Trust I were issued in physical certificate form and must be tendered by contacting D.F. King & Co., Inc., as exchange agent for the exchange offers (the "Exchange Agent") at the phone numbers shown on the back cover page of this prospectus.

We are not providing for guaranteed delivery procedures and therefore you must allow sufficient time for the necessary tender procedures to be completed during normal business hours of DTC on or prior to the Expiration Date of the exchange offers. If you hold your trust preferred securities through a broker, dealer, commercial bank, trust company, or other nominee, you should consider that such entity may require you to take action with respect to the exchange offers a number of days before the Expiration Date in order for such entity to tender trust preferred securities on your behalf on or prior to the Expiration Date. Tenders not received by the Exchange Agent on or prior to the Expiration Date will be disregarded and of no effect.

Unless otherwise indicated or unless the context requires otherwise, all references to "we," "us," "our," or similar references mean Independent Bank Corporation and its direct and indirect subsidiaries on a consolidated basis.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information that is different. You should assume that the information contained in this prospectus is accurate only as of the date set forth above. We are not making an offer of these securities in any jurisdiction where such offer is not permitted.

FORWARD-LOOKING STATEMENTS

Discussions and statements in this prospectus that are not statements of historical fact, including, without limitation, statements that include terms such as "will," "may," "should," "believe," "expect," "anticipate," "estimate," "project," "intend," and "plan," and statements about future financial and operating results, plans, objectives, expectations, and intentions and other statements that are not historical facts, are forward-looking statements. Forward-looking statements express management's current expectations, forecasts of future events, or long-term goals and, by their nature, are subject to assumptions, risks, and uncertainties. Although management believes that the expectations, forecasts, and goals reflected in these forward-looking statements are reasonable, actual results could differ materially for a variety of reasons, including the risks and uncertainties detailed under "Risk Factors" set forth below. The key risks are summarized following:

- If we are unable to successfully raise new equity capital and otherwise implement our capital restoration plan, it will be extremely difficult for us to withstand current economic conditions and any further deterioration in our loan portfolio;

- Future loan losses could exceed the reserves we maintain for such losses;

- Economic conditions in Michigan are worse in many cases than national economic conditions and the ability of the Michigan economy to recover, and the pace of such recovery, is expected to have a material impact on our future financial success;

- Conditions in regional and local real estate markets are expected to have a material impact on our future financial success;

- Current turmoil in the vehicle service contract industry has increased the credit risk and reputation risk for our subsidiary, Mepco Finance Corporation, have led and may continue to lead to significant losses for Mepco, and will contribute to a decrease in the average earning assets of Mepco, which has historically operated at a profit and decreased the size of the losses we have incurred in recent periods;

- Legislative and regulatory changes could increase our expenses, decrease our income, and otherwise have a negative impact on our results of operations;

- Our use of wholesale funding sources exposes us to liquidity risk and potential earnings volatility;

- The continued services of our management team are critical as we work through our asset quality issues and the implementation of our capital restoration plan, yet our ability to compensate our executives is subject to restrictions that do not apply to many of our competitors;

- Media reports regarding ongoing bank failures and any negative publicity regarding our capital position could result in our loss of core deposits;

- Our capital raising initiatives will result in significant dilution to our current shareholders;

- Implementation of our capital plan could result in the U.S. Treasury or another large investor owning a significant percentage of our common stock, and such investor's interests could be different than the interests of our smaller shareholders;

- Our common stock may be delisted from the Nasdaq Global Stock Market;

- We have suspended all quarterly payments on our preferred stock and our trust preferred securities and we do not know if or when such payments will resume;

- We are currently prohibited from paying cash dividends on our common stock and will, for the foreseeable future, be subject to material restrictions on our ability to pay cash dividends;

- The liquidity and market price of our common stock may be materially and adversely affected by our current financial condition and the capital raising initiatives we are pursuing.

You are urged to read the "Risk Factors" section carefully and not rely on the above summary.

In addition, other factors not currently anticipated may also materially and adversely affect our results of operations, cash flows, financial position, and prospects. We cannot assure you that our future results will meet expectations. While we believe the forward-looking statements in this prospectus are reasonable, you should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. We do not undertake, and expressly disclaim, any obligation to update or alter any statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus, which forms a part of a registration statement filed with the SEC, does not contain all of the information set forth in the registration statement. For further information with respect to us and the securities to be exchanged, reference is made to the registration statement.

We file annual, quarterly, and current reports, proxy statements, and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of the documents, upon payment of a duplicating fee, by writing the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's web site at http://www.sec.gov.

The Exchange Agent for the exchange offers is:

D.F. King & Co., Inc.

By Facsimile (Eligible Institutions Only)

(212) 809-8838

(provide call back telephone number on fax cover sheet for confirmation)

Confirmation: (212) 493-6996

By Mail, Overnight Courier or Hand Delivery

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor

New York, New York 10005

Attn: Elton Bagley

Questions and requests for assistance related to the exchange offers or additional copies of this prospectus or the related letter of transmittal may be directed to the Information Agent at its address or telephone numbers set forth below. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the exchange offers.

The Information Agent for the exchange offers is:

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor

New York, New York 10005

Banks and Brokers call: (212) 269-5550 (Collect)

All others call Toll-free: (800) 431-9643

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFERS

The following are certain questions regarding the exchange offers that you may have as a holder of trust preferred securities and the answers to those questions. To fully understand the exchange offers and the considerations that may be important to your decision whether to participate, you should carefully read this prospectus in its entirety, including the section entitled "Risk Factors" beginning on page 15 below.

What are the exchange offers?

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and in the related letter of transmittal, up to 180,200,000 newly issued shares of our common stock for properly tendered and accepted trust preferred securities issued by IBC Capital Finance II (Nasdaq: IBCPO), IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I.

What is the purpose of the exchange offers?

The exchange offers are a part of a more comprehensive Capital Restoration Plan that has been adopted by our Board of Directors (the "Capital Plan") with the primary objective of increasing our capital and meeting certain minimum capital ratios established by our Board. Due to recent events affecting the national economy and the Michigan economy in particular, we believe additional equity capital is necessary to maintain and strengthen our capital base as the effects of these events impact our business over the coming months and years. Although our regulatory capital ratios remain at levels above federal regulatory "well capitalized" standards, because of the losses we have incurred in recent quarters, our elevated levels of non-performing loans and other real estate, and the ongoing economic stress in Michigan, we believe increasing our capital is very important to our future success.

You can find more detail regarding our Capital Plan under "Capital Plan" beginning on page 43 below. In short, our Capital Plan contemplates the pursuit of three primary initiatives intended to strengthen our capital structure:

1. An offer to the United States Department of the Treasury (the "Treasury") to exchange the shares of Series A Preferred Stock we issued to the Treasury under the Capital Purchase Program (CPP) of the Troubled Asset Relief Program (TARP) for shares of our common stock;

2. The exchange offers described in this prospectus, in which we seek to exchange outstanding trust preferred securities for shares of our common stock; and

3. A public offering of our common stock for cash in which we currently intend to seek to raise up to $150 million of new equity capital.

At this time, we cannot be sure that any of these three initiatives will be completed or, if they are completed, will be completed at levels that will allow us to achieve the objectives in our Capital Plan. However, we believe completion of the exchange offers described in this prospectus is a critical part of our Capital Plan and that a high level of participation in the exchange offers is very important to our ability to successfully implement the other two initiatives described above and otherwise successfully implement our Capital Plan. See "The Exchange Offers" beginning on page 119 below for more information.

What are the key terms of the exchange offers?

We are offering to exchange up to 180,200,000 newly issued shares of our common stock for the outstanding trust preferred securities referenced in the table below on the terms set forth in such table, subject to the terms and conditions set forth in this prospectus and in the related letter of transmittal.

CUSIP	Title of Securities	Issuer	Aggregate Amount Outstanding	Liquidation Amount per Trust Preferred Security	Exchange Value	Early Tender Premium Value	Total Exchange Value
					(per Liquidation Amount)		
44921B 20 8	8.25% Cumulative Trust Preferred Securities	IBC Capital Finance II	$50,600,000	$ 25	$ [ ]	$ [ ]	$ [ ]
44921N AA 1	Floating Rate Trust Preferred Securities	IBC Capital Finance III	$12,000,000	$ 1,000	$ [ ]	$ [ ]	$ [ ]
44921T AA 8	Floating Rate Trust Preferred Securities	IBC Capital Finance IV	$20,000,000	$ 1,000	$ [ ]	$ [ ]	$ [ ]
N/A	Floating Rate Trust Preferred Securities	Midwest Guaranty Trust I	$ 7,500,000	$ 1,000	$ [ ]	$ [ ]	$ [ ]

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What consideration is being offered in exchange for the trust preferred securities?

We are offering to issue shares of our common stock in exchange for the trust preferred securities. The number of shares of our common stock you would be eligible to receive is explained in the next paragraph.

We refer to the liquidation amount of each of the trust preferred securities, as shown in the table above, as the "Liquidation Amount." The Liquidation Amount of each trust preferred security issued by IBC Capital Finance II is $25. The Liquidation Amount of each trust preferred security issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I is $1,000. For each Liquidation Amount of trust preferred securities that we accept for exchange in accordance with the terms of the exchange offers, we will issue a number of shares of our common stock having an aggregate dollar value (based on the Relevant Price, as described below) equal to the applicable Exchange Value set forth in the table above or, in the case of trust preferred securities tendered on or prior to the Early Tender Premium Deadline, having an aggregate dollar value (based on the Relevant Price) equal to the sum of the applicable Exchange Value plus the applicable Early Tender Premium Value set forth in the table above (such sum, the "Total Exchange Value"). We refer to the number of shares of our common stock we will issue for each Liquidation Amount of trust preferred securities we accept in the exchange offers as the "exchange ratio." We will round each exchange ratio down to four decimal places.

The "Relevant Price" is equal to the average volume weighted average price per share, or "Average VWAP," of our stock for the five consecutive trading day period ending on and including the second trading day immediately preceding the Expiration Date, as it may be extended (we refer to such period as the "Pricing Period" and such Expiration Date as the "Pricing Date"); provided, however, that if we announce an extension to the Expiration Date after the Pricing Period begins, we do not currently expect such extension to affect the Pricing Period or the Pricing Date.

Depending on the trading price of our common stock on the settlement date for the exchange offers compared to the Relevant Price described above, the market value of the shares of common stock we issue in exchange for each Liquidation Amount of trust preferred securities we accept for exchange may be less than, equal to, or greater than the applicable Exchange Value or Total Exchange Value.

How may I obtain information regarding the Relevant Price and applicable exchange ratio?

Throughout the exchange offers, the indicative Average VWAP, the resulting indicative Relevant Price, and the indicative exchange ratios will be available at www.independentbank.com/exchangeoffers and from our information agent, D.F. King & Co., Inc. (the "Information Agent") at one of its telephone numbers listed on the back cover page of this prospectus. We will announce the final exchange ratios (both for those trust preferred securities tendered before the Early Tender Premium Deadline and for those tendered after that deadline) by 4:30 p.m., Eastern Time, on the Expiration Date, and those final exchange ratios will also be available by that time at www.independentbank.com/exchangeoffers and from the Information Agent.

Is there a maximum amount of trust preferred securities that may be exchanged in the exchange offers?

We will accept for exchange the maximum amount of validly tendered and not properly withdrawn trust preferred securities that does not result in the issuance of more than 180,200,000 shares of our common stock.

We have set this maximum number of shares at a level that we anticipate will allow us to accept for exchange all outstanding trust preferred securities. As a result, we believe it is highly unlikely that we will not be able to accept for exchange all trust preferred securities tendered in the exchange offers. In the unlikely event that our acceptance of all validly tendered trust preferred securities would cause us to issue more than 180,200,000 shares of our common stock (which could happen if the Relevant Price drops below $0.50 per share and all or substantially all outstanding trust preferred securities are tendered for exchange), we will announce at that time how validly tendered trust preferred securities will be prorated for acceptance by us for exchange and any resulting changes in the Expiration Date or other terms of the exchange offers.

When are you going to resume making quarterly distributions on the trust preferred securities?

Beginning in December of 2009, we suspended all quarterly dividend payments on our outstanding trust preferred securities. If you participate in the exchange offers, you will be giving up your right to all distribution payments on the trust preferred securities you tender, including any distributions that have accrued but not been paid as a result of our recent suspension of quarterly payments.

We do not know if or when we will resume making payments on our trust preferred securities. For the reasons described in this prospectus, we do not anticipate resuming payments in the foreseeable future.

What happens to tendered securities that are not accepted for exchange?

If your tendered securities are not accepted for exchange for any reason pursuant to the terms and conditions of the exchange offers, such securities will be returned without expense to you or, in the case of securities tendered by book-entry transfer, such securities will be credited to an account maintained at DTC designated by the participant who delivered such securities, in each case, promptly following the Expiration Date or the termination of the exchange offers.

Will fractional shares be issued in the exchange offers?

No. We will not issue fractional shares of our common stock in the exchange offers. Instead, the number of shares of our common stock received by each registered holder whose trust preferred securities are accepted for exchange in the exchange offers will be rounded down to the nearest whole number.

Are the exchange offers subject to any minimum tender or other conditions?

Our obligation to exchange shares of our common stock for trust preferred securities tendered in the exchange offers is not subject to any minimum tender condition. In other words, we currently intend to complete and close the exchange offers regardless of the number of trust preferred securities tendered for exchange.

However, our obligation to exchange shares of our common stock for trust preferred securities tendered in the exchange offers is subject to a number of conditions that must be satisfied or, if permissible under applicable law, waived by us on or prior to the Expiration Date, including, among others:

- The holders of our common stock must approve a proposal to amend our Articles of Incorporation to increase the number of authorized shares of our common stock from 60 million to 500 million at a special meeting of shareholders to be held on January 29, 2010;

- Our exchange of shares of our common stock for trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I is subject to the approval by our shareholders, at that same special meeting of shareholders described above, in accordance with Nasdaq Marketplace Rule 5635. This rule requires shareholder approval for issuance of shares of our common stock under certain circumstances where the number of shares issued or sold equals 20% or more of the number of outstanding shares of common stock or 20% or more of the voting power of our capital stock outstanding before the issuance, other than in a transaction involving a public offering; and

- There must not have been any change or development that in our reasonable judgment may materially reduce the anticipated benefits to us of the exchange offers or that has had, or could reasonably be expected to have, a material adverse effect on us, our business, condition (financial or otherwise), or prospects.

See "Conditions of the Exchange Offers" on page 121 below for other conditions that apply.

How do I participate in the exchange offers?

You may tender your trust preferred securities by transferring the trust preferred securities through ATOP or following the other procedures described under "Procedures for Tendering" on page 123 below. Contact the Information Agent at the phone number on the back cover of this prospectus if you have any questions.

How do I participate if my trust preferred securities are held of record by a broker, dealer, commercial bank, trust company, or other nominee?

If you wish to tender your trust preferred securities and they are held of record by a broker, dealer, commercial bank, trust company, or other nominee, you should contact such entity promptly and instruct it to tender the trust preferred securities on your behalf. In some cases, the nominee may request submission of such instructions on a beneficial owner's instruction form. Please check with your nominee to determine the procedures for such form.

You are urged to instruct your broker, dealer, commercial bank, trust company, or other nominee at least five business days prior to the Expiration Date in order to allow adequate processing time for your instruction.

In order to validly tender your trust preferred securities in the exchange offers, you or your broker, dealer, commercial bank, trust company, or other nominee must follow the procedures described under "Procedures for Tendering" on page 123 below.

We are not providing for guaranteed delivery procedures and therefore you must allow sufficient time for the necessary tender procedures to be completed during normal business hours of DTC on or prior to the Expiration Date. If you hold your trust preferred securities through a broker, dealer, commercial bank, trust company or other nominee, you should consider that such entity may require you to take action with respect to the exchange offers a number of days before the Expiration Date in order for such entity to tender trust preferred securities on your behalf on or prior to the Expiration Date. Tenders not received by the Exchange Agent on or prior to the Expiration Date will be disregarded and of no effect.

May I tender only a portion of the trust preferred securities that I hold?

Yes. You do not have to tender all of your trust preferred securities to participate in the exchange offers.

Is IBC or anyone else making a recommendation regarding whether I should tender in the exchange offers?

No. Neither we, any trustee of our trust subsidiaries, the Dealer Manager, the Exchange Agent, the Information Agent, nor anyone else is making any recommendation regarding whether you should tender all or a portion of your trust preferred securities in the exchange offers. Accordingly, you must make your own determination as to whether to tender your trust preferred securities in the exchange offers and, if so, the number of trust preferred securities to tender. Before making your decision, we urge you to carefully read this prospectus in its entirety, including the information set forth in the section of this prospectus entitled "Risk Factors."

When do the exchange offers expire?

The exchange offers will expire at 11:59 p.m., Eastern Time, on **[ ]**, unless extended or earlier terminated by us. We refer to such time and date, as it may be extended, as the "Expiration Date." The Early Tender Premium Deadline (the date by which you must tender in order to be eligible to receive the applicable Early Tender Premium Value per Liquidation Amount listed on the cover page of this prospectus) is 5:00 p.m., Eastern Time, **[ ]**, unless we extend it.

Under what circumstances can the exchange offers be extended, amended, or terminated?

We do not currently intend to extend or amend the exchange offers. However, we reserve the right to extend any one or more of the exchange offers for any reason or no reason at all. We also reserve the right, at any time or from time to time, to amend the terms of any one or more of the exchange offers in any respect prior to the Expiration Date. We also reserve the right to terminate any one or more of the exchange offers at any time prior to the Expiration Date if any of the conditions to our completion of the exchange offers is not satisfied. If any of the exchange offers is terminated, no trust preferred securities for that exchange offer will be accepted for exchange and any trust preferred securities that have been tendered for that exchange offer will be returned to the holder promptly after the termination. For more information regarding our right to extend, amend, or terminate the exchange offers, see "Expiration Date; Extension; Termination; Amendment" on page 122 below.

How will I be notified if any exchange offer is extended, amended, or terminated?

If any one or more of the exchange offers is extended, amended, or terminated, we will issue a timely public announcement. For more information regarding notification of extensions, amendments, or the termination of the exchange offers, see "Expiration Date; Extension; Termination; Amendment" on page 122 below.

May I withdraw trust preferred securities that I tender in the exchange offers?

You may withdraw any trust preferred securities that you tender at any time prior to the Expiration Date. You may withdraw any trust preferred securities in accordance with the terms of the exchange offers by following the procedures described under the caption "Withdrawal of Tenders" on page 126 below.

With whom may I speak if I have questions about the exchange offers?

If you have questions regarding the procedures for tendering your trust preferred securities in the exchange offers, require additional materials, or require assistance in tendering your trust preferred securities, please contact D.F. King & Co., Inc., our Information Agent for the exchange offers. You can call the Information Agent at one of its phone numbers listed on the back cover page of this prospectus. You may also write to the Information Agent at the address set forth on the back cover page of this prospectus.

SUMMARY

This summary highlights the material information contained in this prospectus to help you understand our business and the exchange offers. It does not contain all of the information that may be important to you. You should carefully read this prospectus to understand fully the terms of the exchange offers, as well as the other considerations that are important to you in making your investment decision. You should pay special attention to the "Risk Factors" beginning on page 15.

About Independent Bank Corporation

Independent Bank Corporation, headquartered in Ionia, Michigan, is a regional bank holding company providing commercial banking services in Michigan. We offer a wide range of banking products and services, including transaction and savings deposits, commercial, consumer and real estate loans, mortgage origination services, and retail brokerage services. We serve individuals, small to medium-sized businesses, community organizations, and public entities.

Our wholly-owned banking subsidiary, Independent Bank, has banking offices located throughout Michigan, and the offices are primarily located in or near the Grand Rapids, Battle Creek, Lansing, Detroit, Bay City, and Saginaw metropolitan areas. In total, Independent Bank serves its markets through its main office and a total of 106 branches, 3 drive-thru facilities, and 9 loan production offices.

Our bank's activities cover all phases of commercial banking, including checking and savings accounts, commercial lending, direct and indirect consumer financing, mortgage lending, and safe deposit box services. Our bank's mortgage lending activities are primarily conducted through a separate mortgage bank subsidiary. In addition, Mepco Finance Corporation, a subsidiary of our bank, acquires (on a full recourse basis) and services payment plans provided to consumers who purchase vehicle service contracts and similar products from third party providers. We also offer title insurance services through a separate subsidiary of our bank and investment and insurance services through a third party agreement with PrimeVest Financial Services, Inc. Our bank does not offer trust services. Our principal markets are the rural and suburban communities across lower Michigan that are served by our bank's branch network.

Our principal executive offices are located at 230 West Main Street, Ionia, Michigan 48846, and our telephone number at that address is (616) 527-9450.

About the Trusts

Each of IBC Capital Finance II, IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I (each one a "Trust," and collectively, the "Trusts") is a Delaware statutory trust. We are the sole holder of all the common securities of each of these Trusts. The sole asset and only source of funds to make payments on the trust preferred securities issued by each Trust are the junior subordinated debentures we issued to each Trust (the "Underlying Debentures"). To the extent that a Trust receives interest payments from us on the Underlying Debentures it holds, it is obligated to distribute those amounts to the holders of trust preferred securities of such Trust in the form of quarterly distributions. We have provided holders of the trust preferred securities of the Trusts a guarantee in support of each of the Trusts' obligation to make distributions on its trust preferred securities, but only to the extent such Trust otherwise has funds available for distribution.

Following the exchange offers, the trust preferred securities of each Trust that we acquire in the exchange offers will be exchanged by us for a like amount of the Underlying Debentures in accordance with the amended and restated trust agreements governing the Trust. We will then submit such Underlying Debentures for cancellation by the indenture trustee under the applicable indenture.

We have currently suspended quarterly distributions on the trust preferred securities of the Trusts. We are unsure when distributions will resume. We have no plans to resume distributions in the near future.

Background to the Exchange Offers

Our subsidiary bank began to experience rising levels of non-performing loans and higher provisions for loan losses in 2006. The bank remained profitable through the second quarter of 2008. However, since the third quarter of 2008, the bank has incurred six consecutive quarterly losses, which have pressured its capital ratios. Although our bank still remains well-capitalized under federal regulatory guidelines, we project that, due to our past losses, continuing economic stress in Michigan, and elevated levels of non-performing assets, an increase in equity capital is likely necessary in order for our bank to remain well-capitalized. Therefore, our Board recently adopted a Capital Restoration Plan (the "Capital Plan"). The Capital Plan documents our objectives for increasing our capital ratios and the various methods to be employed to reach those objectives. The Capital Plan is described in more detail under "Capital Plan" on page 43 below.

The three primary initiatives of our Capital Plan are as follows:

- An offer we have made to the Treasury to issue shares of our common stock in exchange for up to the entire $72 million in aggregate liquidation value of the shares of preferred stock held by the Treasury;
- An offer to exchange shares of our common stock for our outstanding trust preferred securities, as described in this prospectus; and
- A public offering of our common stock for cash in which we currently intend to seek to raise up to $150 million of new equity capital.

We believe the exchange offers described in this prospectus are an important step to be taken prior to offering shares of our common stock for cash. If completed (i.e., we accept any trust preferred securities for exchange), the exchange offers would result in a reduction in our obligation to make quarterly distributions to holders of trust preferred securities and would result in an increase to the tangible common equity (TCE) of Independent Bank Corporation. The magnitude of such effects will depend on the amount of trust preferred securities validly tendered and accepted for exchange in the exchange offers. We also believe the more trust preferred securities tendered for exchange in these exchange offers, the better our opportunities will be to successfully raise new equity capital through a sale of our common stock. The sale of our common stock and the contribution of all or substantially all of the proceeds to our subsidiary bank will increase the capital ratios of the bank. The primary objective of our Capital Plan is for our bank to achieve the minimum capital ratios established by our Board of Directors, as described below.

Recent Developments

The following is a very summary description of recent developments that should be considered in assessing our financial condition and the prospects for our future operating results. We encourage you to review this entire prospectus, including the "Recent Developments" section on page 41 below for more information.

- In December of 2009, our Board of Directors adopted resolutions that prohibit us from, among other things, paying any dividends on our common stock, our preferred stock, or our trust preferred securities without, in each case, the approval of our federal and state banking regulators.

- In December of 2009, the Board of Directors of our subsidiary bank adopted resolutions designed to enhance certain aspects of our operations, performance, and financial condition. Most importantly, these resolutions require our bank to achieve and thereafter maintain a minimum ratio of Tier 1 capital to average assets of 8% and a minimum ratio of total risk based capital to risk weighted assets of 11%. As of September 30, 2009, our bank had a Tier 1 capital ratio of 7.32% and a total risk based capital ratio of 10.68%, although these ratios are expected to be lower as of December 31, 2009, based on projected losses in the fourth quarter of 2009. These resolutions were adopted in conjunction with discussions with our federal and state regulators and in response to issues highlighted in the most recent exam report issued by the Federal Reserve Bank, our bank's primary federal regulator. We may not rescind or materially modify any of these resolutions without notice to the federal and state banking regulators.

- Beginning in December of 2009, we exercised our right to defer all quarterly distributions on our outstanding trust preferred securities and on all shares of preferred stock issued to the Treasury pursuant to the Troubled Asset Relief Program (TARP). We have also ceased any cash dividends on our common stock.

- On or about December 18, 2009, we mailed to the holders of our common stock a proxy statement relating to a special meeting of our shareholders to be held on January 29, 2010. The purpose of this special shareholder meeting is to ask our shareholders to vote upon proposals to (1) approve an amendment to our Articles of Incorporation to increase the number of shares of common stock we are authorized to issue from 60 million to 500 million, which will allow us to raise the additional equity capital necessary to comply with the Board resolutions described above, (2) approve the exchange offers described in this prospectus for the trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I and the issuance of our common stock in exchange for the outstanding shares of our preferred stock held by the Treasury, as we believe such approval is necessary under current Nasdaq rules, and (3) an underwater option exchange program pursuant to which we will offer our current employees who hold eligible options (excluding our "named executive officers" listed on page 111 below and excluding our directors) to surrender such options in a value-for-value exchange for new options to purchase our common stock, which program is intended to motivate and retain key employees and to reinforce the alignment of our employees' interests with those of our shareholders. More details regarding these proposals can be found in the definitive proxy statement we filed with the SEC on December 18, 2009.

- We made a proposal to the Treasury to exchange all shares of our preferred stock held by the Treasury for shares of our common stock with a value (based on market prices at the time of the exchange) equal to 75% of the $72 million aggregate liquidation value of the preferred stock. We continue to have discussions with the Treasury regarding this proposal, but we do not know if the Treasury will agree to participate in such an exchange or, if they do agree to participate, on what terms and conditions.

- As required by the Board resolutions adopted by our bank in December described above, we adopted a comprehensive Capital Restoration Plan in January 2010. The primary objective of our Capital Plan is to achieve the minimum capital ratios imposed by our Board of Directors in the resolutions adopted in December. The Capital Plan outlines three primary capital raising initiatives designed to improve our capital position and achieve these minimum capital ratios. These three capital initiatives are described above.

- We expect that if we are unable to achieve the minimum capital ratios described above by or within a reasonable time after April 30, 2010, our bank's capital levels will fall below those necessary to remain "well-capitalized" under federal regulatory standards. In that case, we also expect that our federal and state banking regulators would impose additional regulatory restrictions and requirements on us through a regulatory enforcement action. These consequences would likely materially and adversely affect our financial condition and results of operations. We view the exchange offers described in this prospectus as critical to our ability to successfully implement our Capital Plan.

- Our subsidiary, Mepco Finance Corporation, expects to record an expense of at least $12 million in the fourth quarter of 2009 (in addition to the $6.0 million expense taken in the third quarter of 2009) related to the probable failure of its most significant counterparty. Mepco is actively working to reduce its credit exposure to this counterparty and minimize any loss associated with the counterparty's failure. At this time, we do not know the amount of any such loss. The failure of this counterparty and other events within the vehicle service contract industry will have other effects on our consolidated financial results and condition, as we expect Mepco's total earning assets to decrease by 50% in 2010 and continue to decrease in 2011.

More detail regarding each of these developments is set forth under the "Recent Developments" section of our "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 41 below. That section also includes interim financial data as of, and for the two- and eleven-month periods ended, November 30, 2009.

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Summary of the Terms of the Exchange Offers

The following summary is provided solely for the convenience of holders of the trust preferred securities. This summary is not intended to be complete and should be read in conjunction with the information appearing elsewhere in this prospectus. Holders of trust preferred securities are urged to read this prospectus in its entirety.

Terms of the Exchange Offers	Upon the terms and subject to the conditions set forth in this prospectus and the related letter of transmittal, we are offering to exchange up to 180,200,000 shares of our common stock for any and all of our outstanding trust preferred securities validly tendered and not properly withdrawn prior to the Expiration Date. For each Liquidation Amount of trust preferred securities we accept for exchange in accordance with the terms of the exchange offers, we will issue a number of shares of our common stock having a value (based on the Relevant Price) equal to the applicable Exchange Value plus, if the trust preferred securities have been tendered prior to the Early Tender Premium Deadline referred to below, the applicable Early Tender Premium Value. The number of shares of our common stock that we will issue for each Liquidation Amount of trust preferred securities we accept in the exchange offers which we call the "exchange ratio" for that exchange offer will be an amount (rounded down to four decimals) equal to (i) the value calculated pursuant to the preceding sentence divided by (ii) the Relevant Price. The "Relevant Price" is equal to the Average VWAP of our common stock for the five consecutive trading day period ending on and including the second trading day immediately preceding the Expiration Date, as it may be extended (we refer to such period as the "Pricing Period" and Expiration Date as the "Pricing Date"); provided, however, that if we announce an extension to the Expiration Date after the Pricing Period begins, we do not currently expect such extension to affect the Pricing Period or the Pricing Date. We will accept properly tendered trust preferred securities for exchange at the applicable exchange ratio determined as described above, on the terms and subject to the conditions of the exchange offers. We will return any trust preferred securities that are not accepted for exchange promptly following the Expiration Date of the exchange offer or, in the event of termination of the exchange offer, promptly after such termination. Depending on the trading price of our common stock on the settlement date for the exchange offers compared to the Relevant Price described above, the market value of the common stock we issue in exchange for each Liquidation Amount of trust preferred securities we accept for exchange may be less than, equal to, or greater than the applicable Exchange Value or Total Exchange Value, as applicable, listed in the table on the cover page of this prospectus.
Early Tender Premium Deadline	In order to be eligible to receive the applicable Early Tender Premium Value listed on the cover page of this prospectus for each Liquidation Amount of trust preferred securities you tender, you must validly tender your trust preferred securities (and not

	subsequently withdraw them) by 5:00 p.m., Eastern Time, on **[ ]**. The term "Early Tender Premium Deadline" means such date and time or, if the Early Tender Premium Deadline is extended, the latest date and time to which the Early Tender Premium Deadline is so extended.
Expiration Date and Withdrawal Rights	The exchange offers will expire at 11:59 p.m., Eastern Time, on **[ ]** (unless we extend this deadline or earlier terminate the exchange offer). The term "Expiration Date" means such date and time or, if the exchange offers are extended, the latest date and time to which the exchange offers are so extended. You may withdraw any trust preferred securities that you tender at any time prior to the Expiration Date by following the procedures described under the caption "Withdrawal of Tenders" on page 126 below.

Publication of Exchange Ratio Information	Throughout the exchange offers, the indicative Average VWAP, the resulting indicative Relevant Price, and applicable indicative exchange ratios will be available at www.independentbank.com/exhangeoffers and from the Information Agent at the phone numbers listed on the back cover page of this prospectus. We will announce the final exchange ratios for the trust preferred securities (both for those tendered before the Early Tender Premium Deadline and those tendered after that deadline) by 4:30 p.m., Eastern Time, on the Expiration Date, and such final exchange ratios will also be available by that time at www.independentbank.com/exhangeoffers and from the Information Agent.
Extensions; Waivers; Amendments; Termination	Subject to applicable law, we reserve the right to (i) extend the Expiration Date, (ii) waive any and all conditions to or amend the exchange offers in any respect, and (iii) terminate the exchange offers if any of the conditions to our completion of the exchange offers is not satisfied by the Expiration Date. Any extension, waiver, amendment, or termination will be publicly announced as promptly as practicable. In the case of an extension, the public announcement will be issued no later than 9:00 a.m., Eastern Time, on the next business day after the last previously scheduled Expiration Date. See "Expiration Date; Extension; Termination; Amendment" on page 122 below.
Conditions to the Exchange Offers	Our obligation to exchange shares of our common stock for trust preferred securities in the exchange offers is not subject to any minimum tender condition. Our obligation to exchange shares of our common stock for trust preferred securities in the exchange offers is subject to a number of conditions that must be satisfied or, if permissible under applicable law, waived by us, including, among others: • The holders of our common stock must approve a proposal to amend our Articles of Incorporation to increase the number of authorized shares of our common stock from 60 million to 500 million at a special meeting of shareholders to be held on January 29, 2010; • Our exchange of shares of common stock for trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I is subject to the approval by our shareholders, at that same special meeting of shareholders described above; and • There must not have been any change or development that in our reasonable judgment may materially reduce the anticipated benefits to us of the exchange offers or that has had, or could reasonably be expected to have, a material adverse effect on us, our business, condition (financial or otherwise), or prospects.
Settlement Date	The "settlement date" for the exchange offers will be a date promptly following the Expiration Date. We currently expect the settlement date to be within three business days after the Expiration Date.
Fractional Shares	We will not issue fractional shares of common stock in the exchange offers. Instead, the number of shares of our common stock received by each registered holder whose trust preferred securities are accepted for exchange in the exchange

	offers will be rounded down to the nearest whole number.
Procedures for Tendering Trust Preferred Securities	You may tender your trust preferred securities by transferring the trust preferred securities through ATOP or by following the other procedures set forth below and described in more detail under "The Exchange Offers Procedures for Tendering." If you are tendering trust preferred securities issued by Midwest Guaranty Trust I, you must contact the Exchange Agent at the phone numbers shown on the back cover page of this prospectus.

Any beneficial owner whose trust preferred securities are held of record by a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender trust preferred securities should contact such nominee promptly and instruct such nominee to tender trust preferred securities on such owner's behalf. In some cases, the nominee may request submission of such instructions on a beneficial owner's instruction form. Please check with your nominee to determine the procedures for such form.

You are urged to instruct your broker, dealer, commercial bank, trust company or other nominee at least five business days prior to the Expiration Date in order to allow adequate processing time for your instruction.

Should you have any questions as to the procedures for tendering your trust preferred securities, please call your broker, dealer, commercial bank, trust company or other nominee, or call our Information Agent, at its telephone number on the back cover page of this prospectus.

In order to validly tender your trust preferred securities in the exchange offers, you or your broker, dealer, commercial bank, trust company or other nominee must follow the procedures described under "The Exchange Offers Procedures for Tendering."

We are not providing for guaranteed delivery procedures and therefore you must allow sufficient time for the necessary tender procedures to be completed during normal business hours of DTC on or prior to the Expiration Date. Tenders not received by the Exchange Agent on or prior to the Expiration Date will be disregarded and of no effect.

United States Federal Income Tax Considerations

Your exchange of trust preferred securities for shares of our common stock in the exchange offers will be treated as a recapitalization for U.S. federal income tax purposes. Therefore, you will not recognize any gain or loss upon consummation of the exchange offers. See "Material U.S. Federal Income Tax Consequences."

Consequences of Failure to Exchange

Trust Preferred Securities

If there is not a high level of participation in the exchange offers described in this prospectus, it may be difficult or impossible for us to complete the other initiatives described in our Capital Plan and ultimately to achieve the minimum capital ratios set forth in the Capital Plan. In that case, we would likely not be able to remain well-capitalized under federal regulatory standards and we would also expect our primary bank regulators to impose additional regulatory restrictions and requirements on us through a memorandum of understanding or other, more formal enforcement action. These consequences would likely have a material adverse effect on our business and the value of our securities and make it increasingly difficult for us to withstand the current economic conditions and any continued deterioration in our loan portfolio. In that case, we may be required to engage in a sale or other transaction with a third party or our subsidiary bank could be placed into receivership by bank regulators. Any such event could be expected to result in a loss of the entire value of our outstanding shares of common stock and could also result in a loss of the entire value of our outstanding trust preferred securities and preferred stock.

	In addition, depending on the amount of trust preferred securities that are accepted for exchange in the exchange offers, the trading market for the trust preferred securities issued by IBC Capital Finance II (Nasdaq: IBCPO) that remain outstanding after the exchange offers may be more limited. A reduced trading volume may decrease the price and increase the volatility of the trading price of such trust preferred securities that remain outstanding following the exchange offers.
	We have currently suspended all distributions on the trust preferred securities in accordance with their terms. We are unsure when distributions will resume. We have no plans to resume distributions in the near future.
Comparison of the Rights of Common Stock and Trust Preferred Securities	There are material differences between the rights of a holder of our common stock and a holder of the trust preferred securities. See "Comparison of Rights Between the Trust Preferred Securities and Our Common Stock."

Market Trading	Our common stock is currently traded on the Nasdaq GSM under the symbol "IBCP". The last reported closing price of our common stock on January 26, 2010, the last trading day prior to the date of this prospectus, was $1.03 per share. We will file an application with the Nasdaq GSM to list the common stock to be issued in the exchange offers. The trust preferred securities issued by IBC Capital Finance II are listed for trading on the Nasdaq GSM under the symbol "IBCPO." The last reported closing price of these trust preferred securities on January 26, 2010, the last trading day prior to the date of this prospectus, was $13.00 per share. However, it is possible our common stock and the trust preferred securities described in the preceding paragraph will be delisted from Nasdaq. Please see "Risk Factors" below.
Brokerage Commissions	You will not be required to pay brokerage commissions to the Dealer Manager, the Exchange Agent, the Information Agent, or us in connection with the exchange offers.
No Appraisal Rights	You will have no appraisal rights in connection with the exchange offers.
Dealer Manager	Stifel, Nicolaus & Company, Incorporated
Information Agent	D.F. King & Co., Inc.
Exchange Agent	D.F. King & Co., Inc.

RISK FACTORS

You should carefully consider the risks described below and all of the information contained in this prospectus before you decide whether to participate in the exchange offers.

RISKS RELATED TO OUR BUSINESS

Our results of operations, financial condition, and business may be materially and adversely affected if we are unable to successfully implement our Capital Plan.

Our Capital Plan, which is described in more detail under "Recent Development Capital Plan" below, contemplates three primary initiatives that have been or will be undertaken in order to increase our common equity capital, decrease our expenses, and enable us to withstand and better respond to current market conditions and the potential for worsening market conditions. Those three initiatives are the exchange offers described in this prospectus, an offer to the Treasury to convert the preferred stock it holds into our common stock, and a public offering of our common stock for cash. We cannot be sure we will be able to successfully execute on these identified initiatives in a timely manner or at all. The successful implementation of our Capital Plan is, in many respects, largely out of our control and depends on factors such as the aggregate amount of trust preferred securities tendered in these exchange offers, the willingness of the Treasury to exchange the shares of our preferred stock it holds for shares of our common stock, and our ability to sell our common stock or other securities for cash. These factors, in turn, may depend on factors outside of our control such as the stability of the financial markets, other macro economic conditions, and investors' perception of the ability of the Michigan economy to recover from the current recession.

If we are unable to achieve the minimum capital ratios set forth in our Capital Plan in the near future, it would likely materially and adversely affect our business, financial condition, and the value of our securities. An inability to improve our capital position would make it very difficult for us to withstand continued losses that we may incur and that may be increased or made more likely as a result of continued economic difficulties and other factors, as described elsewhere in this "Risk Factors" section.

In addition, we believe that if we are unable to achieve the minimum capital ratios set forth in our Capital Plan by or within a reasonable time after the April 30, 2010 deadline imposed by our Board and if our financial condition and performance otherwise fail to improve significantly, it is likely we will not be able to remain well-capitalized under federal regulatory standards. In that case, we also expect our primary bank regulators would impose additional regulatory restrictions and requirements on us through a regulatory enforcement action. If we fail to remain well-capitalized under federal regulatory standards, we will be prohibited from accepting or renewing brokered deposits without the prior consent of the FDIC, which would likely have a material adverse impact on our business and financial condition. If our regulators take enforcement action against us, it would likely increase our expenses and could limit our business operations, as described under "Importance of the Exchange Offers" on page 119 below. There could be other expenses associated with a continued deterioration of our capital, such as increased deposit insurance premiums payable to the FDIC.

These additional restrictions would make it increasingly difficult for us to withstand the current economic conditions and any continued deterioration in our loan portfolio. In that case, we may be required to engage in a sale or other transaction with a third party or our subsidiary bank could be placed into receivership by bank regulators. Any such event could be expected to result in a loss of the entire value of our outstanding shares of common stock, including any common stock issued in exchange for trust preferred securities in these exchange offers, and could also result in a loss of the entire value of our outstanding trust preferred securities and preferred stock.

We have credit risk inherent in our asset portfolios, and our allowance for loan losses may not be sufficient to cover actual loan losses.

Our loan customers may not repay their loans according to their respective terms, and the collateral securing the payment of these loans may be insufficient to assure repayment. We have experienced and may continue to experience significant credit losses which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the size of the allowance for loan losses, we rely on our experience and our evaluation of current economic conditions. If our assumptions or judgments prove to be incorrect, our current allowance for loan losses may not be sufficient to cover certain loan losses inherent in our loan portfolio, and adjustments may be necessary to account for different economic conditions or adverse developments in our loan portfolio. Material additions to our allowance would adversely impact our operating results.

In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize additional loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition.

Our business has been and may continue to be adversely affected by current conditions in the financial markets and economic conditions generally, and particularly by the continued economic slowdown in Michigan.

Our success depends to a great extent upon the general economic conditions in Michigan's lower peninsula. We have in general experienced a slowing economy in Michigan since 2001. Unlike larger banks that are more geographically diversified, we provide banking services to customers primarily in Michigan's lower peninsula. Our loan portfolio, the ability of the borrowers to repay these loans, and the value of the collateral securing these loans will be impacted by local economic conditions. The continued economic difficulties faced in Michigan has had and may continue to have many adverse consequences, including the following:

- Loan delinquencies may increase;
- Problem assets and foreclosures may increase;
- Demand for our products and services may decline; and
- Collateral for our loans may decline in value, in turn reducing customers' borrowing power and reducing the value of assets and collateral associated with existing loans.

Additionally, the overall capital and credit markets have been experiencing unprecedented levels of volatility and disruption during the past two years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. As a consequence of the U.S. recession, business activity across a wide range of industries faces serious difficulties due to the lack of consumer spending and the extreme lack of liquidity in the global credit markets. Unemployment has also increased significantly and may continue to increase. In particular, according to data published by the federal Bureau of Labor Statistics, as of the end of November 2009, Michigan's unemployment rate of 14.7% was the worst among all states and was a full two percent higher than the next highest state rate. .

During the past year, the general business environment has continued to have an overall adverse effect on our business, and this environment is not expected to improve in the near term. Until conditions improve, we expect our businesses, financial condition and results of operations to continue to be adversely affected.

Current market developments, particularly in real estate markets, may adversely affect our industry, business and results of operations.

Dramatic declines in the housing market in recent years, with falling home prices and increasing foreclosures and unemployment, have resulted in, and may continue to result in, significant write-downs of asset values by us and other financial institutions. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. As a result of these conditions, many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers including financial institutions.

This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting lack of available credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect our business, financial condition and results of operations.

Further negative market developments may continue to negatively affect consumer confidence levels and may continue to contribute to increases in delinquencies and default rates, which may impact our charge-offs and provisions for credit losses. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial services industry.

Recent events in the vehicle service contract industry have increased our credit risk and reputation risk and could expose us to significant losses.

One of our subsidiaries, Mepco Finance Corporation, is engaged in the business of acquiring (on a full recourse basis) and servicing payment plans for consumers who purchase vehicle service contracts and similar products. The receivables generated in this business involve a different, and generally higher, level of risk of delinquency or collection than generally associated with the loan portfolios of our bank. Upon cancellation of the payment plans acquired by Mepco (whether due to voluntary cancellation by the consumer or non-payment), the third party entities that provide the service contracts or other products to consumers become obligated to refund Mepco the unearned portion of the sales price previously funded by Mepco. The refund obligations of these counterparties are not fully secured.

In addition, several of these providers, including the counterparty described in the next risk factor below and other companies from which Mepco has purchased payment plans, have been sued or are under investigation for alleged violations of telemarketing laws and other consumer protection laws. The actions have been brought primarily by state attorneys general and the Federal Trade Commission (FTC) but there have also been class action and other private lawsuits filed. In some cases, the companies have been placed into receivership or have discontinued business. In addition, the allegations, particularly those relating to blatantly abusive telemarketing practices by a relatively small number of marketers, have resulted in a significant amount of negative publicity that has adversely affected and may in the future continue to adversely affect sales and customer cancellations of purchased products throughout the industry, which have already been negatively impacted by the economic recession. It is possible these events could also cause federal or state lawmakers to enact legislation to further regulate the industry.

These events have had and may continue to have an adverse impact on Mepco in several ways. First, we face increased risk with respect to certain counterparties defaulting in their contractual obligations to Mepco which could result in additional charges for losses if these counterparties go out of business. Second, these events have negatively affected sales and customer cancellations in the industry, which has had and is expected to continue to have a negative impact on the profitability of Mepco's business. As a result of these events, we expect that we may need to write down all or a substantial portion of the $16.7 million of goodwill associated with Mepco for the fiscal year ended December 31, 2009. In addition, if any federal or state investigation is expanded to include finance companies such as Mepco, Mepco will face additional legal and other expenses in connection with any such investigation. An increased level of private actions in which Mepco is named as a defendant will also cause Mepco to incur additional legal expenses as well as potential liability. Finally, Mepco has incurred and will likely continue to incur additional legal and other expenses, in general, in dealing with these industry problems.

Mepco also faces unique operational and internal control challenges due to the relatively rapid turnover of its portfolio and high volume of new payment plans. Mepco's business is highly specialized, and its success will depend largely on the continued services of its executives and other key employees familiar with its business. In addition, because financing in this market is conducted primarily through relationships with unaffiliated automobile service contract direct marketers and administrators and because the customers are located nationwide, risk management and general supervisory oversight is generally more difficult than in our bank. The risk of third party fraud is also higher as a result of these factors. Acts of fraud are difficult to detect and deter, and we cannot assure investors that the risk management procedures and controls will prevent losses from fraudulent activity. Although we have an internal control system at Mepco, we may be exposed to the risk of significant loss in this business.

As of November 30, 2009, the finance receivables held by Mepco represented approximately 14% of our consolidated assets.

Mepco has significant exposure to a single counterparty that is experiencing extreme financial difficulties. The failure of this counterparty is likely to have a material adverse effect on our financial condition and results of operations.

Over 40% of Mepco's current outstanding receivables were purchased from a single counterparty. Beginning in the second half of 2009, this counterparty experienced decreased sales (and recently ceased all new sales) and significantly increased levels of customer cancellations. Customer cancellations trigger an obligation of this counterparty to us to repay the unearned portion of the sales price for the payment plan previously advanced by us to the counterparty. In addition, this counterparty is subject to a multi-state attorney general investigation regarding certain of the counterparty's business practices and multiple civil lawsuits. These events have increased costs for the counterparty, putting further pressure on its cash flow and profitability. In December of 2009, we were advised that this counterparty plans to wind down its business operations and is contemplating a bankruptcy filing in the near future.

Mepco is actively working to reduce its credit exposure to this counterparty. The amount of payment plans (finance receivables) purchased from this counterparty and outstanding at December 31, 2009 totaled approximately $206.1 million. In addition, as of December 31, 2009, this counterparty owes Mepco $16.2 million for previously cancelled payment plans. The wind down of operations by this counterparty is likely to lead to substantial potential losses as this entity will not be in a position to honor its recourse obligations on payment plans that Mepco has purchased which are cancelled prior to payment in full. In that event, Mepco will seek to recover amounts owed by the counterparty from various co-obligors and guarantors and through the liquidation of certain collateral held by Mepco (that had an estimated value of approximately $17.7 million at December 31, 2009). However, we are not certain as to the amount of any such recoveries. In the third quarter of 2009, Mepco recorded a $6.0 million expense (as part of vehicle service contract counterparty contingencies that is included in non-interest expense) to establish a reserve for losses related to this counterparty. We expect to record an additional expense of approximately $12.4 million related to this counterparty in the fourth quarter of 2009.

Mepco has historically contributed a meaningful amount of profit to our consolidated results of operations, but we expect the size of its business to shrink significantly beginning in 2010.

For the first nine months of 2009, Mepco had net income of $11.1 million. Even with the counterparty losses experienced by Mepco late in 2009 (including those related to the counterparty described above), Mepco is expected to remain profitable in 2009 with net income of approximately $5 million. As of November 30, 2009, the finance receivables held by Mepco represented approximately 14% of our consolidated assets. However, as a result of the loss of business with the counterparty described above as well as our desire to reduce finance receivables as a percentage of total assets, we expect Mepco's total earning assets to decrease by approximately 50% in 2010. As a result, the reduction in the size of Mepco's business could adversely affect our financial results and make it more difficult for us to be profitable on a consolidated basis in the near future.

We face uncertainty with respect to efforts by the federal government to help stabilize the U.S. financial system.

Beginning in the fourth quarter of 2008, the federal government enacted new laws intended to strengthen and restore confidence in the U.S. financial system. See "Business Regulatory Developments" below for additional information regarding these developments. There can be no assurance, however, as to the actual impact that such programs will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of these and other programs to stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our businesses, financial condition, results of operations, access to credit or the trading price of our common stock.

In addition, these statutes are relatively new initiatives and, as such, are subject to change and evolving interpretation. There can be no assurances as to the effects that any such changes will have on the effectiveness of the federal government's efforts to stabilize the credit markets or on our business, financial condition or results of operations. These federal initiatives could involve regulatory changes that may have an adverse impact on our business.

We have credit risk inherent in our securities portfolio.

We maintain diversified securities portfolios, which include obligations of the Treasury and government-sponsored agencies as well as securities issued by states and political subdivisions, mortgage-backed securities, and asset-backed securities. We also invest in capital securities, which include preferred stocks and trust preferred securities. We seek to limit credit losses in our securities portfolios by generally purchasing only highly rated securities (rated "AA" or higher by a major debt rating agency) or by conducting significant due diligence on the issuer for unrated securities. However, we may, in the future, experience additional losses in our securities portfolio which may result in charges that could materially adversely affect our results of operations.

Our mortgage-banking revenues are susceptible to substantial variations dependent largely upon factors that we do not control, such as market interest rates.

A meaningful portion of our revenues are derived from gains on the sale of real estate mortgage loans. For the first nine months of 2009, these gains represented over 8% of our total revenues. These net gains primarily depend on the volume of loans we sell, which in turn depends on our ability to originate real estate mortgage loans and the demand for fixed-rate obligations and other loans that are outside of our established interest-rate risk parameters. Net gains on real estate mortgage loans are also dependent upon economic and competitive factors as well as our ability to effectively manage exposure to changes in interest rates. Consequently, they can often be a volatile part of our overall revenues.

Fluctuations in interest rates could reduce our profitability.

We realize income primarily from the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. Our interest income and interest expense are affected by general economic conditions and by the policies of regulatory authorities. While we have taken measures intended to manage the risks of operating in a changing interest rate environment, there can be no assurance that these measures will be effective in avoiding undue interest rate risk. We expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this "gap" will work against us, and our earnings may be negatively affected.

We are unable to predict fluctuations of market interest rates, which are affected by, among other factors, changes in the following:

- inflation or deflation rates;
- levels of business activity;
- recession;
- unemployment levels;
- money supply;
- domestic or foreign events; and
- instability in domestic and foreign financial markets.

Changes in accounting standards could impact our reported earnings.

Financial accounting and reporting standards are periodically changed by the Financial Accounting Standards Board (FASB), the SEC, and other regulatory authorities. Such changes affect how we are required to prepare and report our consolidated financial statements. These changes are often hard to predict and may materially impact our reported financial condition and results of operations. In some cases, we may be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

Our operations may be adversely affected if we are unable to secure adequate funding. Our use of wholesale funding sources exposes us to liquidity risk and potential earnings volatility.

We rely on wholesale funding, including Federal Home Loan Bank borrowings, brokered deposits, and Federal Reserve Bank borrowings, to augment our core deposits to fund our business. As of September 30, 2009, our use of such wholesale funding sources amounted to approximately $689 million. Because wholesale funding sources are affected by general market conditions, the availability of funding from wholesale lenders may be dependent on the confidence these investors have in our commercial and consumer finance operations. The continued availability to us of these funding sources is uncertain, and brokered deposits may be difficult for us to retain or replace at attractive rates as they mature. Our liquidity will be constrained if we are unable to renew our wholesale funding sources or if adequate financing is not available in the future at acceptable rates of interest or at all. We may not have sufficient liquidity to continue to fund new loans, and we may need to liquidate loans or other assets unexpectedly, in order to repay obligations as they mature.

In addition, if we fail to remain "well-capitalized" under federal regulatory standards, which is likely if we are unable to successfully implement our Capital Plan (as discussed under "Importance of the Exchange Offers" on page 119 below), we will be prohibited from accepting or renewing brokered deposits without the prior consent of the FDIC. As of September 30, 2009, we had brokered deposits of approximately $529 million. As a result, any such restrictions on our ability to access brokered deposits is likely to have a material adverse impact on our business and financial condition.

Moreover, we cannot be sure that we will be able to maintain our current level of core deposits. Our deposit customers could move their deposits in reaction to media reports about bank failures in general (as discussed in a separate Risk Factor below) or in reaction to negative publicity we may receive as a result of the pursuit of our capital raising initiatives or, particularly, if we are unable to successfully complete such initiatives. A reduction in core deposits would increase our need to rely on wholesale funding sources, at a time when our ability to do so may be more restricted, as described above.

Our financial performance will be materially affected if we are unable to maintain our access to funding or if we are required to rely more heavily on more expensive funding sources. In such case, our net interest income and results of operations would be adversely affected.

We rely heavily on our management team, and the unexpected loss of key managers may adversely affect our operations and the ability to implement our Capital Plan.

The continuity of our operations is influenced strongly by our ability to attract and to retain senior management experienced in banking and financial services. Our ability to retain executive officers and the current management teams of each of our lines of business will continue to be important to successful implementation of our Capital Plan and our strategies. We do not have employment or non-compete agreements with any of these key employees. In addition, we face restrictions on our ability to compensate our executives as a result of our participation in the U.S. Treasury's Capital Purchase Program under the Troubled Asset Relief Program. Many of our competitors do not face these same restrictions. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results.

Competition with other financial institutions could adversely affect our profitability.

We face vigorous competition from banks and other financial institutions, including savings banks, finance companies, and credit unions. A number of these banks and other financial institutions have substantially greater resources and lending limits, larger branch systems, and a wider array of banking services. To a limited extent, we also compete with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies, and insurance companies, which are not subject to the same degree of regulation as that imposed on bank holding companies. As a result, these non-bank competitors may have an advantage over us in providing certain services, and this competition may reduce or limit our margins on banking services, reduce our market share, and adversely affect our results of operations and financial condition.

Our current capital position and the tough economic climate in Michigan will make future growth in the near term very challenging.

We have recently taken certain actions to deleverage our balance sheet, which has had and is expected to continue to have an adverse impact on our net interest income. Although we have also undertaken actions intended to reduce our expenses and continue to do so, we may not be able to reduce our expenses on a basis commensurate with the reduction in our net interest income, which causes a negative impact on our financial results. In addition, even if we are successful in raising additional capital through the initiatives described in our capital plan, our ability to achieve future growth in the near term will be very challenging in the current economic environment in Michigan.

We operate in a highly regulated environment and may be adversely affected by changes in federal and local laws and regulations.

We are generally subject to extensive regulation, supervision, and examination by federal and state banking authorities. The burden of regulatory compliance has increased under current legislation and banking regulations and is likely to continue to have a significant impact on the financial services industry. Recent legislative and regulatory changes as well as changes in regulatory enforcement policies and capital adequacy guidelines are likely to increase our cost of doing business. In addition, future legislative or regulatory changes could have a substantial impact on us and our bank and their operations. Additional legislation and regulations may be enacted or adopted in the future that could significantly affect our powers, authority, and operations, increase our costs of doing business and, as a result, give an advantage to our competitors who may not be subject to similar legislative and regulatory requirements. Further, regulators have significant discretion and power to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of regulatory power may have a negative impact on our results of operations and financial condition.

There have been numerous media reports about bank failures, which we expect will continue as additional banks fail. These reports have created concerns among certain of our customers, particularly those with deposit balances in excess of deposit insurance limits.

We have proactively sought to provide appropriate information to our deposit customers about our organization in order to retain our business and deposit relationships. The outflow of significant amounts of deposits could have an adverse impact on our liquidity and results of operations.

RISKS RELATED TO OUR EFFORTS TO RAISE CAPITAL

If successful, the initiatives set forth in our Capital Plan will be highly dilutive to our common shareholders.

Our Capital Plan contemplates capital raising initiatives that involve the issuance of a significant number of shares of our common stock. You should read "Recent Developments Capital Plan" beginning on page 43 below and "Capitalization" beginning on page 38 below for more information . The completion of any of these capital raising transactions is likely to be highly dilutive to our common shareholders, including participants in the exchange offers. The market price of our common stock could decline as a result of the dilutive effect of the exchange offers or other capital raising transactions we may enter into or the perception that such transactions could occur.

The capital raising initiatives we are pursuing could result in the Treasury or one or more private investors owning a significant percentage of our stock and having the ability to exert significant influence over our management and operations.

One of the primary capital raising initiatives set forth in our Capital Plan is a proposal to the Treasury to exchange the shares of our preferred stock it owns for newly issued shares of our common stock. If the Treasury agrees to participate in such exchange on the terms we have proposed (as described under "Recent Developments Proposed Exchange Offer with the U.S. Treasury" on page 42 below) and if such exchange was completed prior to the completion of the exchange offers described in this prospectus, the Treasury would end up owning over 68% of our outstanding common stock (based on our closing stock price of $1.03 on January 25, 2010). We do not know whether the Treasury will be willing to participate in any such exchange or the terms and conditions upon which it may agree to participate. It is possible that we may agree to conditions and restrictions on our business imposed by the Treasury in order to complete such exchange, including limitations and requirements related to executive compensation and corporate governance. Many of our competitors may not be subject to similar conditions, limitations, and requirements, which could give them a competitive advantage over us.

It is also possible that one or more large investors, other than the Treasury, could end up as the owner of a significant portion of our common stock. This could occur, for example, if the Treasury agrees to participate in the exchange offer and subsequently transfers the common stock acquired from us. It could also occur if one or more large investors makes a significant investment in our common stock in the public offering of our common stock we currently intend to conduct upon completion of the exchange offers described in this prospectus. Any such significant shareholder could exercise significant influence on matters submitted to our shareholders for approval, including the election of directors. In addition, having a significant shareholder could make future transactions more difficult or even impossible to complete without the support of such shareholder, whose interests may not coincide with interests of smaller shareholders. These possibilities could have an adverse effect on the market price of our common stock.

It is possible that one or more of the initiatives set forth in our Capital Plan could trigger an ownership change that will negatively affect our ability to utilize net operating loss carryforwards and other deferred tax assets in the future.

As of December 31, 2009, we had federal net operating loss carryforwards of approximately $43.8 million, and such amount may grow significantly prior to the Expiration Date. Under federal tax law, our ability to utilize these carryforwards and other deferred tax assets is limited if we are deemed to experience a change of ownership. This would result in our loss of the benefit of these deferred tax assets. Please see the more detailed discussion of these tax rules under "Capitalization", beginning on page 38 below.

The exchange offers could cause a change of ownership under these rules. This is likely if a sufficient number of the holders of the trust preferred securities exchange such securities for shares of our common stock in the exchange offers. On the other hand, if we are successful in exchanging the shares of preferred stock held by the Treasury into shares of our common stock and are able to do so prior to the settlement of the exchange offers for the trust preferred securities, then we believe there will not be a deemed change of ownership. At this time, we do not know whether we will be successful in completing the proposed exchange offer with the Treasury and therefore do not know the likelihood of experiencing a change of ownership under these tax rules.

RISKS RELATED TO THE MARKET PRICE AND VALUE OF THE COMMON STOCK OFFERED

Although the number of shares of our common stock offered in the exchange offers will be determined based on the Average VWAP of our common stock during the Pricing Period, the market price of our common stock may fluctuate. As a result, the market price of the common stock upon settlement of the exchange offers could be less than the Relevant Price used to determined the number of shares of common stock issued in exchange for trust preferred securities accepted for exchange.

The number of shares of common stock issued in exchange for trust preferred securities tendered in the exchange offers will be determined based on the Average VWAP of our common stock during the Pricing Period and will not be adjusted regardless of any increase or decrease in the market price of the common stock or the trust preferred securities between the Expiration Date of the exchange offers and the settlement date. Therefore, the market price of the common stock at the time you receive your shares of common stock on the settlement date could be significantly less than the price used to determine the number of shares of common stock you will receive. The market price of our common stock has recently been subject to significant fluctuations and volatility.

The trading price of our common stock may be subject to continued significant fluctuations and volatility.

The market price of our common stock could be subject to significant fluctuations due to, among other things:

- announcements regarding significant transactions in which we may engage, including these exchange offers and the other capital raising initiative that are part of our Capital Plan;
- market assessments regarding such transactions, including the timing, terms, and likelihood of success of these exchange offers;
- operating results that vary from the expectations of management, securities analysts, and investors, including with respect to further loan losses we may incur;
- changes or perceived changes in our operations or business prospects;
- legislative or regulatory changes affecting our industry generally or our businesses and operations;
- the failure of general market and economic conditions to stabilize and recover, particularly with respect to economic conditions in Michigan, and the pace of any such stabilization and recovery;
- the possible delisting of our common stock from Nasdaq or perceptions regarding the likelihood of such delisting;
- the operating and share price performance of companies that investors consider to be comparable to us; and
- other changes in global financial markets, economies, and market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility.

Stock markets in general, and our common stock in particular, have experienced significant volatility over approximately the past two years, and continue to experience significant price and volume volatility. As a result, the market price of our common stock may continue to be subject to similar market fluctuations that may or may not be related to our operating performance or prospects. Increased volatility could result in a decline in the market price of our common stock.

We urge you to obtain current market quotations for our common stock when you consider the exchange offers.

Our common stock could be delisted from Nasdaq.

Our common stock is currently listed on the Nasdaq GSM. However, on December 21, 2009, we received a letter from The Nasdaq Stock Market notifying us that we no longer meet Nasdaq's continued listing requirements under Listing Rule 5450(a)(1) because the bid price for our common stock had closed below $1.00 per share for 30 consecutive business days. We have until approximately June 21, 2010, to demonstrate compliance with this bid price rule by maintaining a minimum closing bid price of at least $1.00 for a minimum of 10 consecutive business days. If we are unable to establish compliance with the bid price rule within such time period, our common stock will be subject to delisting from the Nasdaq GSM. However, in that event, we may be eligible for an additional grace period by transferring our common stock listing from the Nasdaq GSM to the Nasdaq Capital Market. This would require us to meet the initial listing criteria of the Nasdaq Capital Market, other than with respect to the minimum closing bid price requirement. If we are then permitted to transfer our listing to the Nasdaq Capital Market, we expect we would be granted an additional 180 calendar day period in which to demonstrate compliance with the minimum bid price rule.

The delisting of our common stock from Nasdaq, whether in connection with the foregoing or as a result of our future inability to meet any listing standards, would have an adverse effect on the liquidity of our common stock and, as a result, the market price of our common stock might become more volatile. Even the perception that our common stock may be delisted could affect its liquidity and market price. Delisting could also make it more difficult to raise additional capital.

If our common stock is delisted from the Nasdaq, it is likely that quotes for our common stock would continue to be available on the OTC Bulletin Board or on the "Pink Sheets." However, these alternatives are generally considered to be less efficient markets and it is likely that the liquidity of our common stock as well as our stock price would be adversely impacted as a result.

RISKS RELATED TO THE RIGHTS OF OUR COMMON STOCK COMPARED TO THE RIGHTS OF THE TRUST PREFERRED SECURITIES

The value of the common stock being offered in these exchange offers is lower than the Liquidation Amount of the trust preferred securities you would be tendering in exchange for the common stock.

We are offering to exchange for outstanding trust preferred securities newly issued shares of our common stock having a value equal to only **[ ]**% (or **[ ]**% if the trust preferred securities are validly tendered before the Early Premium Tender Deadline and not subsequently withdrawn) of the Liquidation Amount of the trust preferred securities tendered for exchange. In addition, depending on the market value of our common stock on the settlement date of the exchange offers, the value of shares of common stock you receive could represent an even lower percentage of the Liquidation Amount of trust preferred securities you are surrendering.

All of the trust preferred securities that remain outstanding after the exchange offers will have priority over our common stock with respect to payment in the event of a liquidation, dissolution, or winding-up and with respect to the payment of dividends.

In any liquidation, dissolution or winding-up of IBC, our outstanding shares of common stock would rank below all debt claims against us and claims of all of our outstanding shares of preferred stock and other senior equity securities, including the trust preferred securities that are not exchanged for common stock in the exchange offers described in this prospectus. As a result, holders of our common stock, including holders of trust preferred securities whose securities are accepted for exchange in the exchange offers, will not be entitled to receive any payment or other distribution of assets upon the liquidation, dissolution or winding-up of IBC until after all our obligations to our debt holders have been satisfied and holders of senior equity securities have received any payment or distribution due to them.

If we engage in any sale transaction or business combination after completion of these exchange offers, trust preferred securities not tendered for exchange may have a greater value than the shares of common stock to be received in the exchange offers.

We do not currently intend to engage in any sale of our business or similar transaction. However, if we were to do so after completion of these exchange offers (which could be required if we are unable to successfully implement our Capital Plan, as discussed above in this "Risk Factors" section), the successor to our business would be required to assume all obligations on our outstanding trust preferred securities, including the obligation to make quarterly payments. The value of such trust preferred securities at that time may be greater than the value of the shares of our common stock you would receive if you tendered your trust preferred securities in these exchange offers. We currently believe, however, that such a sale transaction or other business combination is unlikely, due to current market conditions and due in part to the financial burden to any such acquirer associated with assuming all of the obligations with respect to our trust preferred securities.

Future offerings of debt, preferred stock, or additional trust preferred securities, each of which would be senior to our common stock upon liquidation and for purposes of dividend distributions, may adversely affect the market price of our common stock.

We may attempt to increase our capital resources, or we or our banking subsidiary could be forced by federal and state bank regulators to raise additional capital, by making additional offerings of debt or preferred equity securities, including medium-term notes, trust preferred securities, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our outstanding shares of common stock. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution.

Our board of directors is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of the shareholders. Our board of directors also has the power, without shareholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights, and preferences over our common stock with respect to dividends or upon our dissolution, winding-up and liquidation and other terms. Therefore, if we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution, or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Holders of trust preferred securities that participate in the exchange offers are giving up their right to future distributions on the trust preferred securities.

If you tender your trust preferred securities and these securities are accepted by us for exchange in the exchange offers, you will be giving up your right to any future distribution payments that are paid on the trust preferred securities on or after the Expiration Date. We have currently exercised our right to defer quarterly payments on all outstanding trust preferred securities. At this time, we are unable to state with any degree of certainty if or when we may resume quarterly distributions on the trust preferred securities that are not exchanged for shares of our common stock in these exchange offers. We do not currently intend to resume such payments in the near term. Pursuant to the documents governing the rights of the outstanding trust preferred securities, we will effectively be considered in default of the trust preferred securities and the related Underlying Debentures if we defer quarterly distributions for more than 20 consecutive quarterly periods. If we resume quarterly payments on our trust preferred securities in the future, we will be required to pay all accrued but unpaid distributions, including those distributions currently being deferred. By participating in the exchange offers, you will be giving up any right to receive any such distributions.

You may not receive dividends on the shares of common stock you receive in exchange for your trust preferred securities.

Holders of our common stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. We are currently prohibited from paying any cash dividends on our common stock. Even when such prohibitions end (which we do not expect to occur in the near term), there are restrictions on our ability to pay cash dividends that will likely continue to materially limit our ability to pay cash dividends. We cannot provide any assurances of when we may pay cash dividends in the future. Furthermore, our common shareholders are subject to the prior dividend rights of any holders of our preferred stock. See "Dividend Policy" below for more information.

Our Articles of Incorporation as well as certain banking laws may have an anti-takeover effect.

Provisions of our Articles of Incorporation and certain federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. The combination of these provisions may inhibit a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

RISKS RELATED TO NOT PARTICIPATING IN THE EXCHANGE OFFERS

We do not know if or when we will resume quarterly payments on our trust preferred securities.

Beginning in December of 2009, we exercised our right to defer quarterly interest payments on the Underlying Debentures held by each of the Trusts and, as a result, the Trusts were required to defer quarterly distributions to holders of outstanding trust preferred securities. We exercised this right in order to preserve our capital and reduce our interest expense. As described elsewhere in this prospectus, although we are pursuing several initiatives to increase our capital base, we expect to continue to face challenges in the near term in operating our business and resuming profitability. In addition, as described under "Recent Developments Adoption of Board Resolutions" below, we are currently prohibited from paying quarterly dividends on our trust preferred securities without the prior consent of our federal and state bank regulators. As a result, we expect to continue to defer quarterly payments on the Underlying Debentures and the related trust preferred securities for the foreseeable future. We do not know if or when such payments will resume.

If we do not realize a high level of participation in these exchange offers, or if any one or more of these exchange offers are not completed, we may be unable to implement our Capital Plan, which could result in a loss of all or substantially all of the value of your trust preferred securities.

As described in more detail under "Importance of the Exchange Offers" beginning on page 119 below, we view these exchange offers as a critical step toward achieving the objectives of our Capital Plan. If there is not a high level of participation in these exchange offers or if any one or more of the exchange offers are not completed, it may not be possible for us to meet the objectives of our Capital Plan, which primarily consist of improving our capital position by achieving the minimum capital ratios imposed by our Board in such Capital Plan. If we fail to realize such objectives, our ability to withstand continued adverse economic conditions could be materially and adversely affected.

The trust preferred securities issued by IBC Capital Finance II may be delisted from Nasdaq.

As described above, we are at risk of having our common stock delisted from the Nasdaq GSM. If our common stock is delisted from Nasdaq, it would mean the trust preferred securities issued by IBC Capital Finance II (Nasdaq: IBCPO) would also be delisted. The delisting of these trust preferred securities from Nasdaq would have an adverse effect on the liquidity of such securities.

If the exchange offers are successful, there may be a limited or no trading market for the trust preferred securities issued by IBC Capital Finance II (Nasdaq: IBCPO) and the market price for such trust preferred securities may be depressed.

Depending on the amount of trust preferred securities that are accepted for exchange in the exchange offers, the trading market for the trust preferred securities issued by IBC Capital Finance II (Nasdaq: IBCPO) that remain outstanding after the exchange offers may be more limited. A reduced trading volume may decrease the price and increase the volatility of the trading price of such trust preferred securities that remain outstanding following the exchange offers.

ADDITIONAL RISKS RELATED TO THE EXCHANGE OFFERS

We have not obtained a third-party determination that the exchange offers are fair to holders of the trust preferred securities.

Neither we, the trustees of any of our trust subsidiaries, the Dealer Manager, the Exchange Agent, the Information Agent, nor anyone else is making a recommendation as to whether you should exchange all or any portion of your trust preferred securities in the exchange offers. We have not retained, and do not intend to retain, any unaffiliated representative to act on behalf of the holders of the trust preferred securities for purposes of negotiating the exchange offers or preparing a report concerning the fairness of the exchange offers. You must make your own independent decision regarding your participation in the exchange offers.

Failure to complete the exchange offers successfully could negatively affect the price of our common stock.

Several conditions must be satisfied or, if permissible under applicable law, waived in order to complete the exchange offers, including those described below under "The Exchange Offers Conditions of the Exchange Offers." One or more of these conditions may not be satisfied, and if not satisfied or waived (where permissible), the exchange offers may not occur or may be delayed. If the exchange offers are not completed or are delayed, we may be subject to the following material risks:

- the market price of our common stock may decline to the extent that the current market price of our common stock reflects a market assumption that the exchange offers have been or will be completed;

- the market price of our trust preferred securities may decline to the extent that the current market price of such trust preferred securities reflects a market assumption that the applicable exchange offers have been or will be completed;
- we may not be able to increase our Tier 1 common equity by an amount that may be necessary to keep us well capitalized in the near term; and
- our ability to successfully implement the other capital raising initiatives set forth in our Capital Plan may be adversely affected. For example, we believe our chances of being successful in raising additional equity through the sale of shares of our common stock increases with increased participation in these exchange offers.

Holders of a significant Liquidation Amount of trust preferred securities who participate in the exchange offers could become subject to regulatory restrictions on ownership of our common stock.

Under the federal Change in Bank Control Act, a person may be required to obtain prior approval from the FRB before acquiring the power to direct or indirectly control the management, operations, or policy of our Company or before acquiring 10% or more of our common stock. As a result, holders of a significant amount of trust preferred securities who seek to participate in the exchange offers should evaluate whether they could become subject to the approval and other requirements of this federal statute.

NON-GAAP FINANCIAL MEASURES

The following table presents computations of certain financial measures related to "tangible common equity" and "Tier 1 common equity." The tangible common equity ratio has become a focus of some investors and management believes this ratio may assist investors in analyzing our capital position absent the effects of intangible assets and preferred stock. Traditionally, the Federal Reserve and other banking regulators have assessed a bank's capital adequacy based on Tier 1 capital, the calculation of which is codified in federal banking regulations. More recently, the banking regulators have also supplemented their assessment of the capital adequacy of a bank based on a variation of Tier 1 capital, known as Tier 1 common equity. Because tangible common equity and Tier 1 common equity are not formally defined by generally accepted accounting principles (GAAP) or codified in the federal banking regulations, these measures are considered to be non-GAAP financial measures. Because analysts and banking regulators may assess our capital adequacy using tangible common equity and Tier 1 common equity, we believe it is useful to provide investors the ability to assess our capital adequacy on these same bases.

Tier 1 common equity is often expressed as a percentage of net risk-weighted assets. Under the risk-based capital framework, a bank's balance sheet assets and credit equivalent amounts of off-balance sheet items are assigned to one of four broad risk categories. The aggregated dollar amount in each category is then multiplied by the risk weight assigned to that category. The resulting weighted values from each of the four categories are added together and this sum is the risk-weighted assets total that, as adjusted, comprises the denominator of certain risk-based capital ratios. Tier 1 capital is then divided by this denominator (net risk-weighted assets) to determine the Tier 1 capital ratio. Adjustments are made to Tier 1 capital to arrive at Tier 1 common equity. Tier 1 common equity is also divided by net risk-weighted assets to determine the Tier 1 common equity ratio. The amounts disclosed as net risk-weighted assets are calculated consistent with banking regulatory requirements.

Non-GAAP financial measures have inherent limitations, are not required to be uniformly applied, and are not audited. To mitigate these limitations, we have procedures in place to ensure that these measures are calculated using the appropriate GAAP or regulatory components and to ensure that our capital performance is properly reflected to facilitate period-to-period comparisons. Although these non-GAAP financial measures are frequently used by investors in the evaluation of a company, they have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analyses of results as reported under GAAP.

The following table provides reconciliations of the following:

- Total assets (GAAP) to tangible assets (non-GAAP)
- Total shareholders' equity (GAAP) to tangible common equity (non-GAAP)
- Total shareholders' equity (GAAP) to Tier 1 common equity (non-GAAP)

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	September 30, 2009	2008 (Unaudited)	December 31, 2008	2007	2006 (Unaudited)	2005
MMON EQUITY TO TANGIBLE ASSETS						
AP)	$ 2,962,028	$ 3,138,620	$ 2,956,245	$ 3,247,516	$ 3,406,390	$ 3,348,707
ill	16,734	66,754	16,734	66,754	52,842	55,946
eposit intangible assets (all other intangibles)	10,783	12,948	12,190	15,262	8,157	10,729
d taxes	605	32,104	6,892	18,572	10,597	7,174
non-GAAP)	$ 2,933,906	$ 3,026,814	$ 2,920,429	$ 3,146,928	$ 3,334,794	$ 3,274,858
rs' equity (GAAP)	$ 158,341	$ 225,285	$ 194,877	$ 240,502	$ 258,167	$ 248,259
ill	16,734	66,754	16,734	66,754	52,842	55,946
posit intangible assets (all other intangibles)	10,783	12,948	12,190	15,262	8,157	10,729
d taxes	605	32,104	6,892	18,572	10,597	7,174
d stock	68,982	-	68,456	-	-	-
n equity (non-GAAP)	$ 61,237	$ 113,479	$ 90,605	$ 139,914	$ 186,571	$ 174,410
n equity to tangible assets ratio (non-GAAP)	2.09%	3.75%	3.10%	4.45%	5.59%	5.33
ON EQUITY						
rs' equity (GAAP)	$ 158,341	$ 225,285	$ 194,877	$ 240,502	$ 258,167	$ 248,259
capital securities	58,143	78,842	72,751	80,309	62,350	62,350
ll	16,734	66,754	16,734	66,754	52,842	55,946
lated other comprehensive (loss) income	(16,045)	(11,184)	(23,318)	(339)	3,370	4,297
le assets	10,783	12,948	12,190	15,262	8,157	10,729
ved servicing assets	852		1,018			
ealized losses on equity securities		3,198		3,155		
	(43)	(57)	(59)	(86)	(139)	(294
gulatory)	204,203	232,468	261,063	236,065	256,287	239,931
ng capital securities	58,143	78,842	72,751	80,309	62,350	62,350
d stock	68,982	-	68,456	-	-	-
quity (non-GAAP)	$ 77,078	$ 153,626	$ 119,856	$ 155,756	$ 193,937	$ 177,581
d assets (regulatory)	$ 2,294,207	$ 2,430,749	$ 2,365,082	$ 2,525,594	$ 2,664,931	$ 2,578,081
quity ratio (non-GAAP)	3.36 %	6.32%	5.07%	6.17%	7.28%	6.89

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SELECTED FINANCIAL DATA

Set forth below are highlights from our consolidated financial data as of and for the years ended December 31, 2004 through 2008, and as of and for the nine months ended September 30, 2008 and 2009. You should read this information in conjunction with our consolidated financial statements and related notes included in the Annual Report on Form 10-K for the year ended December 31, 2008 and the Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, from which this information is derived.

(1) Per share data has been adjusted for 5% stock dividends in 2006 and 2005.

(2) These amounts are calculated using income (loss) from continuing operations applicable to common stock and net income (loss) applicable to common stock.

	Nine Months Ended September 30		**Year Ended December 31,**				
	2009	**2008**	**2008**	**2007**	**2006**	**2005**	**2004**
(Dollars in thousands, except per share amounts)							
SUMMARY OF OPERATIONS							
Interest income	$ 143,614	$ 155,044	$ 203,736	$ 223,254	$ 216,895	$ 193,035	$ 154,226
Interest expense	38,489	57,491	73,587	102,663	93,698	63,099	42,990
Net interest income	105,125	97,553	130,149	120,591	123,197	129,936	111,236
Provision for loan losses	77,916	43,456	72,287	43,160	16,344	7,806	4,016
Net gains (losses) on securities	3,770	(8,037)	(14,961)	(705)	171	1,484	856
Other non-interest income	41,600	37,114	44,682	47,850	44,679	41,342	37,404
Non-interest expenses	116,405	92,098	176,184	115,724	106,216	101,785	90,455
Income (loss) from continuing operations	(43,826)	(8,924)	(88,601)	8,852	45,487	63,171	55,025

before income tax							
Income tax expense (benefit)	(1,754)	(7,285)	3,063	(1,103)	11,662	17,466	14,713
Income (loss) from continuing operations	(42,072)	(1,639)	(91,664)	9,955	33,825	45,705	40,312
Discontinued operations, net of tax				402	(622)	1,207	(1,754)
Net income (loss)	$ (42,072)	$ (1,639)	$ (91,664)	$ 10,357	$ 33,203	$ 46,912	$ 38,558
Preferred dividends	3,225		215				
Net income (loss) applicable to common stock	$ (45,297)	$ (1,639)	$ (91,879)	$ 10,357	$ 33,203	$ 46,912	$ 38,558
PER COMMON SHARE DATA(1)							
Income (loss) per common share from continuing operations							
Basic	$ (1.90)	$ (0.07)	$ (4.04)	$ 0.44	$ 1.48	$ 1.96	$ 1.79
Diluted	(1.90)	(0.07)	(4.04)	0.44	1.45	1.92	1.75
Net income (loss) per common share							
Basic	$ (1.90)	$ (0.07)	$ (4.04)	$ 0.46	$ 1.45	$ 2.01	$ 1.71
Diluted	(1.90)	(0.07)	(4.04)	0.45	1.43	1.97	1.67
Cash dividends declared	0.03	0.13	0.14	0.84	0.78	0.71	0.60
Book value	3.72	9.79	5.49	10.62	11.29	10.75	9.86
SELECTED BALANCES							
Assets	$2,962,028	$3,138,620	$2,956,245	$3,247,516	$3,406,390	$3,348,707	$3,088,179
Loans	2,387,229	2,505,402	2,459,529	2,518,330	2,459,887	2,365,176	2,080,634
Allowance for loan losses	73,710	53,898	57,900	45,294	26,879	22,420	24,162
Deposits	2,485,834	2,160,541	2,066,479	2,505,127	2,602,791	2,474,239	2,063,707
Shareholders' equity	158,341	225,285	194,877	240,502	258,167	248,259	230,292
Long-term debt	0	0	0	1,000	3,000	5,000	7,000
SELECTED RATIOS							

Tax equivalent net interest income to average interest earning assets	5.17%	4.58%	4.63%	4.26%	4.41%	4.85%	4.89%
Income (loss) from continuing operations to (2)							
Average common equity	(53.32)	(0.91)	(39.01)	3.96	13.06	18.63	20.30
Average assets	(2.03)	(0.07)	(2.88)	0.31	0.99	1.42	1.48
Net income (loss) to							
Average common equity	(53.32)	(0.91)	(39.01)	4.12	12.82	19.12	19.42
Average assets	(2.03)	(0.07)	(2.88)	0.32	0.97	1.45	1.42
Average shareholders' equity to average assets	6.12	7.43	7.50	7.72	7.60	7.61	7.31
Tier 1 capital to average assets	6.91	7.42	8.61	7.44	7.62	7.40	7.36
Non-performing loans to Portfolio Loans	4.92	4.58	5.09	3.07	1.59	0.70	0.69

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following selected unaudited pro forma financial information has been presented to give effect to and show the pro forma impact on our balance sheet as of September 30, 2009, and on our earnings for the fiscal year ended December 31, 2008, and the nine-month period ended September 30, 2009, of the exchange offers for trust preferred securities described in this prospectus as well as our offer (the "CPP Exchange Offer") to exchange shares of our common stock for up to the entire $72 million aggregate liquidation amount of our outstanding Series A Fixed Rate Cumulative Perpetual Preferred Stock, $1,000 liquidation preference per share (the "CPP Preferred Shares"), issued to the Treasury under its Capital Purchase Program of the Troubled Asset Relief Program (TARP). The exchange offer described in this prospectus and the CPP Exchange Offer are collectively referred to as the "Capital Transactions."

As described in this prospectus, our Board currently proposes to engage in a public offering to issue shares of our common stock or securities convertible into shares of our common stock for cash, to raise as much as $50 million to $150 million in aggregate gross proceeds. However, we have not reflected any impact of such a public offering in the pro forma financial information set forth below.

The unaudited pro forma financial information is presented for illustrative purposes only and does not necessarily indicate the financial position or results that would have been realized had the Capital Transactions been completed as of the dates indicated or that will be realized in the future when and if the Capital Transactions are consummated. The selected unaudited pro forma financial information has been derived from, and should be read in conjunction with, our historical consolidated financial statements included in this prospectus.

Our unaudited pro forma consolidated balance sheets as of September 30, 2009 have been presented as if the Capital Transactions had been completed on September 30, 2009, and our pro forma consolidated statements of income have been presented as if the Capital Transactions had been completed on January 1, 2008.

Primary Assumptions

We have made a number of assumptions in preparing the pro forma information set forth below. The primary assumptions made are as follows:

a. We have assumed our shareholders will approve an amendment to our Articles of Incorporation to increase the number of shares of common stock we are authorized to issue from 60 million shares to 500 million shares. We have called a special meeting of our shareholders to be held January 29, 2010, at which the shareholders will be asked to approve such amendment. As of December 31, 2009, we have approximately 30,926,971 shares of common stock that are authorized and available to be issued. If our shareholders do not approve the proposed amendment to our Articles of Incorporation, then we may still proceed with the Capital Transactions, but will be limited to issuing an aggregate of 30,926,971 shares of our common stock.

b. For each of the exchange offers for trust preferred securities described in this prospectus, we have assumed we will issue shares of our common stock having a dollar value equal to [ ]% of the Liquidation Amount of the trust preferred securities tendered and accepted for exchange. This assumes all trust preferred securities tendered for exchange would be tendered after the Early Premium Tender Deadline.

c. For the CPP Exchange Offer, we have assumed we will issue shares of our common stock having a dollar value equal to 100% of the liquidation value of the CPP Preferred Shares.

d. We have assumed that, for purposes of the Capital Transactions, the value per share of our common stock used to calculate the number of shares of our common stock to be issued in each such Capital Transaction is $[ ]. This is the average volume weighted average price, or "Average VWAP," of our common stock assuming the Pricing Date for the determination of the Average VWAP ended on and including [ ], 2010. The Average VWAP of our common stock is the mathematical average of the volume weighted average price per share for the five consecutive trading days ending on and including the second trading day immediately preceding the Pricing Date. The closing price of our common stock on [ ], was $[ ] per share.

e. We have assumed there will be no material effect on such pro forma financial statements from the potential limitations related to Section 382 of the Internal Revenue Code as we have already established a full tax valuation allowance on our net deferred tax assets.

We have shown the pro forma impact of the Capital Transactions under a "Low Range Alternative" and a "High Range Alternative," as follows:

- The "Low Range Alternative" assumes the tender and exchange of 25% of the outstanding trust preferred securities described in this prospectus for common stock, and no CPP Exchange Offer.
- The "High Range Alternative" assumes the tender and exchange of 75% of the outstanding trust preferred securities described in this prospectus for common stock, and the tender and exchange of the entire $72 million of outstanding CPP Preferred Shares for common stock.

We have assumed the participation rates for the exchange offers for the trust preferred securities based on the results of recently concluded similar exchange offers by similarly situated issuers. We are only in preliminary discussions with the Treasury, as the sole holder of the CPP Preferred Shares, regarding the proposed CPP Exchange Offer. Although the pro forma financial information set forth below assumes we would exchange shares of our common stock with a value equal to 100% of the liquidation value of the CPP Preferred Shares in the proposed CPP Exchange Offer, we are negotiating with the Treasury to accept shares of our common stock with a value equal to 75% of the liquidation value of the CPP Preferred Shares because the CPP Preferred Shares are junior in priority to the trust preferred securities and we are offering less than 100% of par for the trust preferred securities. We have not received any indication from the Treasury as to its willingness to exchange any CPP Preferred Shares for shares of our common stock or the pricing or other terms upon which it would participate in any such exchange. There is no assurance the Treasury will agree to participate in the CPP Exchange Offer on terms acceptable to us or at all.

Additional assumptions are set forth in the footnotes to the tables below.

The inclusion of any particular Capital Transaction in the pro forma financial information does not necessarily indicate that such Capital Transaction is likely to occur or that it is likely to occur on the terms set forth below.

There can be no assurances that the foregoing assumptions will be realized in the future, including as to the amounts and percentages of trust preferred securities or CPP Preferred Shares that will be tendered in the Capital Transactions. If any one or more of the foregoing assumptions or assumptions in the footnotes to the tables below is not realized, it would likely result in a material impact on the pro forma information set forth below. **As a result, you should not place undue reliance on such pro forma information in deciding whether to tender your trust preferred securities in the exchange offers described in this prospectus or how many trust preferred securities to tender.**

Independent Bank Corporation

Pro Forma Consolidated Balance Sheets (Unaudited)

Low Range Alternative (25% Trust Preferred Exchange and No CPP Exchange)

		Adjustments			
(in thousands)	Actual September 30, 2009	Institutional TP Exchange Offer (5)	Retail TP Exchange Offer (6)	CPP Exchange Offer (7)	Pro Forma September 30, 2009
ASSETS					
Cash and due from banks	$182,405	$ -	$ -	$ -	$
Investment securities	184,094	-	-	-	
FHLB and Federal Reserve Bank stock	27,855	-	-	-	
Loans held for sale	23,980	-	-	-	
Net portfolio loans	2,313,519	-	-	-	
Premises and equipment	73,355	-	-	-	
Bank owned life insurance	46,041	-	-	-	
Other real estate and repossessed assets	31,323	-	-	-	
Goodwill	16,734	-	-	-	
Capitalized originated mortgage loan servicing rights	14,334	-	-	-	
Other intangible assets	10,783	-	-	-	
Other assets	37,605	(2)	(2)	-	
Total assets	$2,962,028	$	$	$ -	$
LIABILITIES					
Total deposits	$2,485,834	$ -	$ -	$ -	
Other borrowings	162,341	-	-	-	
Financed premiums payable	30,159	-	-	-	
Other liabilities	32,465	-	-	-	
Subordinated debentures	92,888	(1)	(1)	-	
Total liabilities	2,803,687			-	
Preferred stock	68,982			-(1)	

Common stock	225,192	(3)	(3)	-(3)	
Retained earnings (deficit)	(119,868)	(4)	(4)	-(4)	
Accumulated other comprehensive income (loss)	(15,965)	(2)	-	-	
Total shareholders' equity	158,341			-	
Total liabilities and shareholders' equity	$2,962,028	$	$	$	$

Note: The inclusion of the Capital Transactions in the pro forma financial information does not necessarily indicate that such transactions are likely to occur.

(1) 25% of the carrying amount of the retired securities.

(2) The estimated pro-rated adjustments related to the remaining unamortized debt issuance and hedge costs and the stock owned in the trust subsidiaries.

(3) Value of newly issued common stock.

(4) The excess of the carrying amount of the securities to be retired over the fair value of the common stock to be issued in the Capital Transactions, net of taxes (which are immaterial due to IBC's low effective tax rate as a result of its full valuation allowance against deferred tax assets). This amount would be recorded in the income statement for the period during which the Capital Transactions are consummated.

(5) Represents the increase in common stock outstanding due to the participation of 25% of the outstanding trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I (a net aggregate principal amount of $9.875 million) with an assumed exchange value of $[ ] per $1,000 Liquidation Amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(6) Represents the increase in common stock outstanding due to the participation of 25% of the outstanding trust preferred securities issued by IBC Capital Finance II (a net aggregate principal amount of $12.65 million) with an assumed exchange value of $[ ] per $25 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(7) Assumes no participation in the CPP Exchange Offer.

Independent Bank Corporation

Pro Forma Consolidated Balance Sheets (Unaudited)

High Range Alternative (75% Trust Preferred Exchange and 100% CPP Exchange)

			Adjustments		
(in thousands)	Actual September 30, 2009	Institutional TP Exchange Offer (5)	Retail TP Exchange Offer (6)	CPP Exchange Offer (7)	Pro Forma September 30, 2009
ASSETS					
Cash and due from banks	$182,405	$ -	$ -	$ -	$
Investment securities	184,094	-	-	-	
FHLB and Federal Reserve Bank stock	27,855	-	-	-	
Loans held for sale	23,980	-	-	-	
Net portfolio loans	2,313,519	-	-	-	
Premises and equipment	73,355	-	-	-	
Bank owned life insurance	46,041	-	-	-	
Other real estate and repossessed assets	31,323	-	-	-	
Goodwill	16,734	-	-	-	
Capitalized originated mortgage loan servicing rights	14,334	-	-	-	
Other intangible assets	10,783	-	-	-	
Other assets	37,605	(2)	(2)	-	
Total assets	$2,962,028	$	$	$ -	
LIABILITIES					
Total deposits	$2,485,834	$	$	$ -	
Other borrowings	162,341			-	
Financed premiums payable	30,159			-	
Other liabilities	32,465			-	
Subordinated debentures	92,888	(1)	(1)	-	
Total liabilities	2,803,687			-	
Preferred stock	68,982			(1)	
Common stock	225,192	(3)	(3)	(3)	
Retained earnings (deficit)	(119,868)	(4)	(4)	(4)	
Accumulated other comprehensive income (loss)	(15,965)	(2)		-	
Total shareholders' equity	158,341			-	
Total liabilities and shareholders'					

equity	$2,962,028	$	$	$	-	$

Note: The inclusion of the Capital Transactions in the pro forma financial information does not necessarily indicate that such transactions are likely to occur.

(1) 75% of the carrying amount of the retired securities.

(2) The estimated pro-rated adjustments related to the remaining unamortized debt issuance and hedge costs and the stock owned in the trust subsidiaries.

(3) Value of newly issued common stock.

(4) The excess of the carrying amount of the securities to be retired over the fair value of the common stock to be issued in the Capital Transactions, net of taxes (which are immaterial due to IBC's low effective tax rate as a result of its full valuation allowance against deferred tax assets). This amount would be recorded in the income statement for the period during which the Capital Transactions are consummated.

(5) Represents the increase in common stock outstanding due to the participation of 75% of the outstanding trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I (a net aggregate principal amount of $29.625 million) with an assumed exchange value of $[ ] per $1,000 Liquidation Amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(6) Represents the increase in common stock outstanding due to the participation of 75% of the outstanding trust preferred securities issued by IBC Capital Finance II (a net aggregate principal amount of $37.950 million) with an assumed exchange value of $[ ] per $25 Liquidation Amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(7) Represents the increase in common stock outstanding due to the participation in the CPP Exchange Offer of 100% of the outstanding CPP Preferred Shares (an aggregate principal amount of $72.00 million) with an assumed exchange value of $1,000 per $1,000 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

Independent Bank Corporation

Pro Forma Consolidated Statements of Operations (Unaudited)

Low Range Alternative (25% Trust Preferred Exchange and no CPP Exchange)

(in thousands, except per share data)	Actual 2008	Adjustments Institutional TP Exchange Offer (5)	Adjustments Retail TP Exchange Offer (6)	CPP Exchange Offer (7)	Pro Forma 2008
INTEREST INCOME					
Interest and fees on loans	$186,747	$ -	$ -	$ -	$
Investments	16,989	-	-	-	
Total Interest Income	203,736	-	-	-	
INTEREST EXPENSE					
Deposits	46,697	-	-	-	
Other borrowings	26,890	(1)	(1)	-	
Total Interest Expense	73,587			-	
NET INTEREST INCOME	130,149			-	
Provision for loan losses	72,287			-	
Net Interest Income After Provision for Loan Losses	57,862			-	
NON-INTEREST INCOME	29,721	(2)	(2)	-	
GAIN ON EXTINGUISHMENT OF CAPITAL INSTRUMENTS	-	(3)	(3)	-	
NON-INTEREST EXPENSE	176,184			-	
INCOME (LOSS) BEFORE INCOME TAXES	(88,601)			-	
Income tax expense (benefit)	3,063	(4)	(4)	-	
NET INCOME (LOSS)	(91,664)			-	
Preferred dividends	215			-	
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$(91,879)			$ -	
Per Common Share:					
Basic	$(4.04)			$ -	
Diluted	(4.04)			-	
Average Common Shares Outstanding:					
Basic	22,743	(8)	(8)	-	

Diluted	22,808	(8)	(8)	-

Note: The inclusion of the Capital Transactions in the pro forma financial information does not necessarily indicate that such transactions are likely to occur.

(1) Reduction in interest expense due to the exchange of the capital instruments for common stock assuming that the exchange occurred at the beginning of the period.

(2) Reduction in other non-interest income due to decline in dividends paid to the parent company related to the stock owned in the trust subsidiaries.

(3) One-time gain (net of unamortized debt issuance costs or hedge costs) from exchange of the capital instruments for common stock.

(4) Taxes are expected to be immaterial due to IBC's low effective tax rate as a result of its full valuation allowance against deferred tax assets.

(5) Represents the increase in common stock outstanding due to the participation of 25% of the outstanding trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I (a net aggregate principal amount of $9.875 million) with an assumed exchange value of $[ ] per $1,000 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(6) Represents the increase in common stock outstanding due to the participation of 25% of the outstanding trust preferred securities issued by IBC Capital Finance II (a net aggregate principal amount of $12.65 million) with an assumed exchange value of $[ ] per $25 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(7) Assumes no participation in the CPP Exchange Offer.

(8) Represents common stock issued in the applicable transaction.

Independent Bank Corporation

Pro Forma Consolidated Statements of Operations (Unaudited)

High Range Alternative (75% Trust Preferred Exchange and 100% CPP Exchange)

(in thousands, except per share data)	Actual 2008	Adjustments Institutional TP Exchange Offer (5)	Adjustments Retail TP Exchange Offer (6)	Adjustments CPP Exchange Offer (7)	Pro Forma 2008
INTEREST INCOME					
Interest and fees on loans	$186,747	$ -	$ -	$ -	
Investments	16,989	-	-	-	
Total Interest Income	203,736	-	-	-	
INTEREST EXPENSE					
Deposits	46,697			-	
Other borrowings	26,890	(1)	(1)	-	
Total Interest Expense	73,587			-	
NET INTEREST INCOME	130,149			-	
Provision for loan losses	72,287			-	
Net Interest Income After Provision for Loan Losses	57,862			-	
NON-INTEREST INCOME	29,721	(2)	(2)	-	
GAIN (LOSS) ON EXTINGUISHMENT OF CAPITAL INSTRUMENTS	-	(3)	(3)	(3)	
NON-INTEREST EXPENSE	176,184				
INCOME (LOSS) BEFORE INCOME TAXES	(88,601)				
Income tax expense (benefit)	3,063	(4)	(4)		
NET INCOME (LOSS)	(91,664)				
Preferred dividends	215			(1)	
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$(91,879)				
Per Common Share:					
Basic	$(4.04)				
Diluted	(4.04)				
Average Common Shares Outstanding:					
Basic	22,743	(8)	(8)	(8)	
Diluted	22,808	(8)	(8)	(8)	

Note: The inclusion of the Capital Transactions in the pro forma financial information does not necessarily indicate that such transactions are likely to occur.

(1) Reduction in interest expense or preferred dividends due to the exchange of the capital instruments for common stock assuming that the exchange occurred at the beginning of the period or issuance date of the security, whichever is later.

(2) Reduction in other non-interest income due to decline in dividends paid to the parent company related to the stock owned in the trust subsidiaries.

(3) One-time gain (loss) (net of unamortized debt issuance costs or hedge costs) from exchange of the capital instruments for common stock.

(4) Taxes are expected to be immaterial due to IBC's low effective tax rate as a result of its full valuation allowance against deferred tax assets.

(5) Represents the increase in common stock outstanding due to the participation of 75% of the outstanding trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I (a net aggregate principal amount of $29.625 million) with an assumed exchange value of $[ ] per $1,000 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(6) Represents the increase in common stock outstanding due to the participation of 75% of the outstanding trust preferred securities issued by IBC Capital Finance II (a net aggregate principal amount of $37.950 million) with an assumed exchange value of $[ ] per $25 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(7) Represents the increase in common stock outstanding due to the participation in the CPP Exchange Offer of 100% of the outstanding CPP Preferred Shares (an aggregate principal amount of $72.00 million) with an assumed exchange value of $1,000 per $1,000 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(8) Represents common stock issued in the applicable transaction.

Independent Bank Corporation

Pro Forma Consolidated Statements of Operations (Unaudited)

Low Range Alternative (25% Trust Preferred Exchange and no CPP Exchange)

(in thousands, except per share data)	Actual 9 Months Ended September 30, 2009	Adjustments: Institutional TP Exchange Offer (5)	Adjustments: Retail TP Exchange Offer (6)	Adjustments: CPP Exchange Offer (7)	Pro Forma 9 Months Ended September 30, 2009
INTEREST INCOME					
Interest and fees on loans	$134,915	$ -	$ -	$ -	
Investments	8,699	-	-	-	
Total Interest Income	143,614	-	-	-	
INTEREST EXPENSE					
Deposits	26,468	-	-	-	
Other borrowings	12,021	(1)	(1)	-	
Total Interest Expense	38,489			-	
NET INTEREST INCOME	105,125			-	
Provision for loan losses	77,916			-	
Net Interest Income After Provision for Loan Losses	27,209			-	
NON-INTEREST INCOME	45,370	(2)	(2)	-	
GAIN ON EXTINGUISHMENT OF CAPITAL INSTRUMENTS		(3)	(3)	-	
NON-INTEREST EXPENSE	116,405			-	
INCOME (LOSS) BEFORE INCOME TAXES	(43,826)			-	
Income tax expense (benefit)	(1,754)	(4)	(4)	-	
NET INCOME (LOSS)	(42,072)			-	
Preferred dividends	3,225			-	
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$(45,297)			$ -	
Per Common Share:					
Basic	$(1.90)			$ -	
Diluted	(1.90)			-	

Average Common Shares Outstanding:				
Basic	23,811	(8)	(8)	-
Diluted	23,881	(8)	(8)	-

Note: The inclusion of the Capital Transactions in the pro forma financial information does not necessarily indicate that such transactions are likely to occur.

(1) Reduction in interest expense due to the exchange of the capital instruments for common stock assuming that the exchange occurred at the beginning of the period.

(2) Reduction in other non-interest income due to decline in dividends paid to the parent company related to the stock owned in the trust subsidiaries.

(3) One-time gain (net of unamortized debt issuance costs or hedge costs) from exchange of the capital instruments for common stock.

(4) Taxes are expected to be immaterial due to IBC's low effective tax rate as a result of its full valuation allowance against deferred tax assets.

(5) Represents the increase in common stock outstanding due to the participation of 75% of the outstanding trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I (a net aggregate principal amount of $9.875 million) with an assumed exchange value of $[ ] per $1,000 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(6) Represents the increase in common stock outstanding due to the participation of 25% of the outstanding trust preferred securities issued by IBC Capital Finance II (a net aggregate principal amount of $12.65 million) with an assumed exchange value of $[ ] per $25 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(7) Assumes no participation in the CPP Exchange Offer.

(8) Represents common stock issued in the applicable transaction.

Independent Bank Corporation

Pro Forma Consolidated Statements of Operations (Unaudited)

High Range Alternative (75% Trust Preferred Exchange and 100% CPP Exchange)

		Adjustments			
(in thousands, except per share data)	Actual 9 Months Ended September 30, 2009	Institutional TP Exchange Offer (5)	Retail TP Exchange Offer (6)	CPP Exchange Offer (7)	Pro Forma 9 Months Ended September 30, 2009
INTEREST INCOME					
Interest and fees on loans	$134,915	$ -	$ -	$ -	
Investments	8,699	-	-	-	
Total Interest Income	143,614	-	-	-	
INTEREST EXPENSE					
Deposits	26,468	-	-	-	
Other borrowings	12,021	(1)	(1)	-	
Total Interest Expense	38,489			-	
NET INTEREST INCOME	105,125			-	
Provision for loan losses	77,916			-	
Net Interest Income After Provision for Loan Losses	27,209			-	
NON-INTEREST INCOME	45,370	(2)	(2)	-	
GAIN (LOSS) ON EXTINGUISHMENT OF CAPITAL INSTRUMENTS	-	(3)	(3)	(3)	
NON-INTEREST EXPENSE	116,405				
INCOME (LOSS) BEFORE INCOME TAXES	(43,826)				
Income tax expense (benefit)	(1,754)	(4)	(4)		
NET INCOME (LOSS)	(42,072)				
Preferred dividends	3,225				
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	$(45,297)				
Per Common Share:					
Basic	$(1.90)				
Diluted	(1.90)				

Average Common Shares Outstanding:				
Basic	23,811	(8)	(8)	(8)
Diluted	23,881	(8)	(8)	(8)

Note: The inclusion of the Capital Transactions in the pro forma financial information does not necessarily indicate that such transactions are likely to occur.

(1) Reduction in interest expense or preferred dividends due to the exchange of the capital instruments for common stock assuming that the exchange occurred at the beginning of the period or issuance date of the security, whichever is later.

(2) Reduction in other non-interest income due to decline in dividends paid to the parent company related to the stock owned in the trust subsidiaries.

(3) One-time gain (loss) (net of unamortized debt issuance costs or hedge costs) from exchange of the capital instruments for common stock.

(4) Taxes are expected to be immaterial due to IBC's low effective tax rate as a result of its full valuation allowance against deferred tax assets.

(5) Represents the increase in common stock outstanding due to the participation of 75% of the outstanding trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I (a net aggregate principal amount of $29.625 million) with an assumed exchange value of $[ ] per $1,000 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(6) Represents the increase in common stock outstanding due to the participation of 75% of the outstanding trust preferred securities issued by IBC Capital Finance II (a net aggregate principal amount of $37.950 million) with an assumed exchange value of $[ ] per $25 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(7) Represents the increase in common stock outstanding due to the participation in the CPP Exchange Offer of 100% of the outstanding CPP Preferred Shares (an aggregate principal amount of $72.00 million) with an assumed exchange value of $1,000 per $1,000 liquidation amount and an Average VWAP of $[ ], which we determined assuming the Pricing Date for the Average VWAP was [ ], 2010.

(8) Represents common stock issued in the applicable transaction.

USE OF PROCEEDS

We will not receive any cash proceeds from the exchange offers.

CAPITALIZATION

The following tables set forth the carrying amount of our capitalization, as of September 30, 2009, on an actual basis and on a pro forma basis to reflect completion of the exchange offers described in this prospectus under both the Low Range Alternative and the High Range Alternative described under "Unaudited Pro Forma Financial Information" above. These tables should be read in conjunction with the information set forth under "Selected Financial Data" and "Unaudited Pro Forma Financial Information" and our consolidated financial statements for the years ended December 31, 2008, 2007 and 2006 and the quarter ended September 30, 2009, which are included in this prospectus. The following tables do not reflect the potential dilution in connection with any future offering of our common stock for cash, even though a public offering is contemplated by our Capital Plan.

No. of Shares to be Issued in Capital Transactions

Low Range Alternative

(25% Participation in Trust Preferred Exchange Offers and No CPP Exchange)

(Based on Assumptions in Footnotes to Table)

Relevant Price (1)	Institutional TP Exchange Offer (2)	Retail TP Exchange Offer (3)	Subtotal to be Issued: % of Total Outstanding(4)	CPP Preferred Exchange Offer (5)	Pro Forma Total to be Issued: % of Total Outstanding(4)
$1.00				0	
$0.95				0	
$0.90				0	
$0.85				0	
$0.80				0	
$0.75				0	
$0.70				0	
$0.65				0	
$0.60				0	

(1) When used in this table, Relevant Price is the price per share of our common stock used to determine the number of shares of common stock that would be issued in exchange for the tendered trust preferred securities and the CPP Preferred Shares. The actual Relevant Price to be used in the exchange offers will be determined as described under "The Exchange Offers" on page 119 below. The actual price used in any exchange of common stock for the CPP Preferred Shares will be as negotiated with Treasury, but is likely to be based on the market value our common stock.

The table contains only an estimated range of potential values for our common shares. The closing price of our common shares on the Nasdaq GSM on January 25, 2010, was $1.03 per share.

(2) Assumes that 25% of the outstanding trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I will be tendered for exchange and that for each $1,000 Liquidation Amount tendered, a holder would receive common stock with a value equal to $[ ], which is equal to [ ]% of the $1,000 Liquidation Amount.

(3) Assumes that 25% of the outstanding trust preferred securities issued by IBC Capital Finance II will be tendered for exchange and that for each $25 Liquidation Amount of tendered, a holder would receive common stock with a value equal to $[ ], which is equal to [ ]% of the $25 Liquidation Amount.

(4) Assumes the number of shares of common stock outstanding excluding shares to be issued in these Capital Transactions would be 24,101,100 (the number of shares of IBC common stock outstanding on January 21, 2010).

(5) Assumes that Treasury will not agree to exchange any CPP Preferred Shares for common stock.

No. of Shares to be Issued in Capital Transactions

High Range Alternative

(75% Participation in Trust Preferred Exchange Offers and 100% Participation in CPP Exchange Offer)

(Based on Assumptions in Footnotes to Table)

Relevant Price (1)	Institutional TP Exchange Offer (2)	Retail TP Exchange Offer (3)	Subtotal to be Issued: % of Total Outstanding(4)	CPP Preferred Exchange Offer (5)	Pro Forma Total to be Issued: % of Total Outstanding(4)
$1.00					
$0.95					
$0.90					
$0.85					
$0.80					
$0.75					
$0.70					
$0.65					
$0.60					

(1) When used in this table, Relevant Price is the price per share of our common stock used to determine the number of shares of common stock that would be issued in exchange for the tendered trust preferred securities and the CPP Preferred Shares. The actual Relevant Price to be used in the exchange offers will be determined as described under "The Exchange Offers" on page 119 below. The actual price used in any exchange of common stock for the CPP Preferred Shares will be as negotiated with Treasury, but is likely to be based on the market value our common stock. The table contains only an estimated range of potential values for our common shares. The closing price of our common shares on the Nasdaq GSM on January 25, 2010, was $1.03 per share.

(2) Assumes that 75% of the outstanding trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I will be tendered for exchange and that for each $1,000 Liquidation Amount tendered, a holder would receive common stock with a value equal to $[ ], which is equal to [ ]% of the $1,000 Liquidation Amount.

(3) Assumes that 75% of the outstanding trust preferred securities issued by IBC Capital Finance II will be tendered for exchange and that for each $25 Liquidation Amount tendered, a holder would receive common stock with a value equal to $[ ], which is equal to [ ]% of the $25 Liquidation Amount.

(4) Assumes the number of shares of common stock outstanding excluding shares to be issued in these Capital Transactions would be 24,101,100 (the number of shares of IBC common stock outstanding on January 21, 2010).

(5) Assumes that Treasury will agree to exchange all CPP Preferred Shares (with an aggregate liquidation preference of $72 million) for common stock with a value equal to $72 million.

Based on the assumptions described in the footnotes to the tables above, upon completion of the Capital Transactions, our existing shareholders would own between only [ ]% and [ ]% of our outstanding common stock. However, we have reserved the right to issue an even greater number of shares of our common stock (i.e., in the event one or more of the assumptions in the tables set forth above prove not to be true). We have reserved the right to issue up to 180.2 million of common stock in the exchange offers described in this prospectus and up to 144 million shares of common stock in the CPP Exchange Offer. Using these maximum numbers and the Relevant Prices set forth in the tables above, our current shareholders may end up owning only approximately [ ]% of our outstanding common stock.

In addition, the initiatives under consideration and referenced above or through other means, including the exchange offers for the trust preferred securities, may trigger an ownership change that would negatively affect our ability to utilize net operating loss carryforwards and other deferred tax assets in the future. As a result, we may suffer higher-than-anticipated tax expense, and consequently lower net income and cash flow, in those future years. As of December 31, 2009, we had federal net operating loss carryforwards of approximately $43.8 million, and such amounts may grow significantly prior to the Expiration Date. Companies are subject to a change of ownership test under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), that, if met, would limit the annual utilization of tax losses and credits carrying forward from pre-change of ownership periods, as well as the ability to use certain unrealized built-in losses. Generally, under Section 382, the yearly limitation on our ability to utilize such deductions will be equal to the product of the applicable long-term tax exempt rate (presently 4.16%) and the sum of the values of our common shares and of our outstanding CPP Preferred Shares, immediately before the ownership change. In addition to limits on the use of net operating loss carryforwards, our ability to utilize deductions related to bad debts and other losses for up to a five-year period following such an ownership change would also be limited under Section 382, to the extent that such deductions reflect a net loss that was "built-in" to our assets immediately prior to the ownership change. Similar rules under Section 383 of the Code will also limit utilization of any capital loss and tax credit carryforwards. The amount of these carryforwards was not material at December 31, 2009, but may grow significantly prior to the expiration of the offers.

The exchange offers could cause a change of ownership under these rules. This is likely if a sufficient number of the holders of the trust preferred securities exchange such securities for shares of our common stock in the exchange offers. On the other hand, if we are successful in exchanging the shares of preferred stock held by the Treasury into shares of our common stock and are able to do so prior to the settlement of the exchange offers for the trust preferred securities, then we believe there will not be a deemed change of ownership. At this time, we do not know whether we will be successful in completing the proposed exchange offer with the Treasury and therefore do not know the likelihood of experiencing a change of ownership under these tax rules. The exchange offers described in this prospectus are not conditioned on any exchange of our common stock for the preferred stock held by the Treasury.

In addition, we currently have a valuation allowance intended to fully offset these net operating loss carryforwards and other deferred tax assets. As a result of this allowance, we do not expect these tax rules to cause a material impact to our net income or loss in the near term.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is intended as a review of significant factors affecting our financial condition and results of operations for the periods indicated. The discussion should be read in conjunction with the historical financial data included within this prospectus, including the Consolidated Financial Statements (and Notes thereto) beginning on page F-34 and the Unaudited Consolidated Financial Statements (and Notes thereto) beginning on page F-1 below, and all other information set forth in this prospectus. Certain Selected Financial Data is set forth on page 27 above. In addition to historical information, the following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those anticipated in these forward-looking statements as a result of certain factors discussed in this prospectus. Please see "Forward-Looking Statements" on page 2 above.

Recent Developments

The following is a summary of recent developments that should be considered in assessing our financial condition and the prospects for our future operating results.

Adoption of Board Resolutions

In December of 2009, the Board of Directors of Independent Bank, our subsidiary bank, adopted resolutions designed to enhance certain aspects of the bank's performance and, most importantly, to improve its capital position. Our subsidiary bank began to experience rising levels of non-performing loans and higher provisions for loan losses in 2006. Although the bank remained profitable through the second quarter of 2008, it has incurred six consecutive quarterly losses since then, which have pressured its capital ratios. In response to these losses, continuing economic stress in Michigan, and elevated levels of non-performing assets, and in conjunction with discussions with the Federal Reserve Bank ("FRB"), as the bank's primary federal regulator, and the Michigan Office of Financial and Insurance Regulation (the "Michigan OFIR"), as the bank's state regulator, the Board of Directors of the Bank adopted resolutions that require the following:

- The adoption by the bank of a capital restoration plan designed to achieve a minimum ratio of Tier 1 capital to average assets of 8% and a minimum ratio of total risk based capital to risk weighted assets of 11% by April 30, 2010, and a regular periodic review and evaluation of such capital plan by the Board of the bank thereafter;

- The enhancement of the bank's documentation of the rationale for discounts applied to collateral valuations on impaired loans and improved support for the identification, tracking, and reporting of loans classified as troubled debt restructurings;

- The adoption of certain changes and enhancements to our liquidity monitoring and contingency planning and our interest rate risk management practices;

- Additional reporting to the Board regarding initiatives and plans pursued by management to improve the bank's risk management practices;

- Prior approval of the FRB and the Michigan OFIR for any dividends or distributions to be paid by the bank to IBC; and

- Notice to the FRB and the Michigan OFIR of any rescission of or material modification to any of these resolutions.

In addition to these resolutions adopted for our bank, the Board of Directors of IBC (which is comprised of the same members as the bank's Board) adopted resolutions in December of 2009 that impose the following restrictions:

- We will not pay dividends on our outstanding common stock or the outstanding preferred stock held by the Treasury and we will not pay distributions on our outstanding trust preferred securities without, in each case, the prior written approval of the FRB and the Michigan OFIR;

- We will not incur or guarantee any additional indebtedness without the prior approval of the FRB;

- We will not repurchase or redeem any of our common stock without the prior approval of the FRB; and

- We will not rescind or materially modify any of these limitations without notice to the FRB and the Michigan OFIR.

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The substance of all of the resolutions described above was developed in conjunction with discussions held with the FRB and the Michigan OFIR in response to the FRB's most recent examination report of Independent Bank, which was completed in October of 2009. Based on those discussions, we acted proactively to adopt the resolutions described above to address those areas of the bank's condition and operations that were highlighted in the exam report and that we believe most require our focus at this time. It is very possible that if we had not adopted these resolutions, the FRB and the Michigan OFIR may have imposed similar requirements on us through a memorandum of understanding or similar undertaking. We are not currently subject to any such regulatory agreement or enforcement action. However, we believe that if we are unable to substantially comply with the resolutions set forth above and if our financial condition and performance do not otherwise materially improve, we may face additional regulatory scrutiny and restrictions in the form of a memorandum of understanding or similar undertaking imposed by the regulators.

Subsequent to the adoption of the resolutions described above, the bank adopted the capital restoration plan required by the resolutions. This Capital Plan is described in more detail below. Other than fully implementing such Capital Plan and achieving the minimum capital ratios set forth in the resolutions, we believe we have already taken appropriate actions to fully comply with these Board resolutions.

Special Shareholder Meeting

On or about December 18, 2009, we mailed to the holders of our common stock a proxy statement relating to a special meeting of our shareholders to be held on January 29, 2010. The purpose of this special shareholder meeting is to ask our shareholders to vote upon the following proposals:

- We have asked our shareholders to approve an amendment to our Articles of Incorporation to increase the number of shares of common stock we are authorized to issue from 60 million to 500 million. We are asking for additional authorized shares of common stock in order to pursue the initiatives set forth in our capital plan (described below), including the exchange offers described in this prospectus.

- We have asked our shareholders to approve the issuance of our common stock in exchange for certain of the trust preferred securities described in this prospectus and in exchange for the shares of our preferred stock held by the Treasury, in accordance with Nasdaq Marketplace Rule 5635. This rule requires shareholder approval for issuance of shares of our common stock under certain circumstances where the number of shares of common stock to be issued or sold equals 20% or more of the number of outstanding shares of common stock or 20% or more of the voting power of our capital stock outstanding before the issuance, other than in a transaction involving a public offering. We determined that our offers to exchange shares of our common stock for the trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Trust Guaranty I (as described in this prospectus) and for the shares of our preferred stock held by the Treasury required shareholder approval under this rule. (We determined that our offer to exchange shares of our common stock for the trust preferred securities issued by IBC Capital Finance II (Nasdaq: IBCPO) did not require shareholder approval under this rule because such offer is deemed to be a public offering and therefore exempt from the rule's shareholder approval requirement.)

- We have asked our shareholders to approve an underwater option exchange program pursuant to which we will offer our current employees who hold eligible options (excluding our "named executive officers" listed on page 111 below and excluding our directors) to surrender such options in a value-for-value exchange for new options to purchase our common stock. Eligible options are outstanding stock options held by our employees who remain employed through the date the new options are granted and which options do not expire within 12 months from the date the new options are granted and have an exercise price greater than $10. We have proposed to implement this option exchange program to motivate and retain key employees and to reinforce the alignment of our employees' interests with those of our shareholders.

In order for the proposal to amend our Articles of Incorporation to increase the number of shares of our authorized stock to be approved, we must receive the approval of holders of at least a majority of our common stock entitled to vote at the special meeting. In order for the other two proposals to be approved, we must receive the approval of holders of at least a majority of our common stock represented in person or by proxy at the special meeting. We have engaged The Altman Group, a nationally-recognized proxy solicitation firm, to assist us in soliciting proxies for these proposals.

We do not currently intend to commence the exchange offers described in this prospectus unless our shareholders approve the proposals described in the first two bullet points above.

Proposed Exchange Offer with the U.S. Treasury

In December of 2009, we made a proposal to the Treasury to exchange all of the shares of the Series A Fixed Rate Cumulative Perpetual Preferred Stock purchased by the Treasury in December of 2008 pursuant to the Troubled Asset Relief Program (TARP) for shares of our common stock with a value (based on market prices at the time of the exchange) equal to 75% of the aggregate liquidation value of the preferred stock surrendered in the exchange. The aggregate liquidation value of the preferred stock held by the Treasury is $72 million. As a result, if accepted by the Treasury, our proposal would result in us issuing the Treasury shares of our common stock with a value of $54 million. If the Treasury accepts this proposal and if the exchange is completed prior to our completion of the exchange offers described in this prospectus, it would mean the Treasury would own over 68% of our outstanding common stock (based on our closing stock price of $1.03 on January 25, 2010). Additional information regarding the possible number of shares to be issued to the Treasury in connection with this proposal is shown in the tables under "Capitalization" beginning on page 38 above.

We continue to hold discussions with the Treasury regarding our proposal and continue to provide the Treasury with additional information for them to evaluate our proposal. However, we do not know at this time whether the Treasury will accept our proposal, whether the Treasury will make a counterproposal, or, if the Treasury agrees to any form of an exchange, what conditions it might impose on its participation. We also do not know the timing of when the Treasury will make its decision or whether, if the Treasury agrees to participate in an exchange, what the timing of that exchange may be. It is possible we will not know the Treasury's decision prior to the Expiration Date for the exchange offers described in this prospectus, and our completion of these exchange offers is not conditioned on completing any exchange with the Treasury or even knowing whether the Treasury will agree to participate in any such exchange. See "The Exchange Offer" beginning on page 119 below for more information.

Suspension of Quarterly Dividends and Distributions

We have recently taken certain actions to improve our regulatory capital ratios and preserve capital and liquidity. Beginning in December of 2009, we eliminated the $0.01 per share quarterly cash dividend on our common stock. In addition, we suspended payment of quarterly dividends on our preferred stock held by the Treasury. The cash dividends payable to the Treasury amount to $3.6 million per year until December of 2013, at which time they will increase to $6.5 million per year. Also beginning in December of 2009, we exercised our right to defer all quarterly interest payments on the subordinated debentures we issued to our trust subsidiaries. As a result, all quarterly dividends on the related trust preferred securities (which are the trust preferred securities solicited for exchange in the exchange offers described in this prospectus) were also deferred. Based on current dividend rates, the cash dividends on all outstanding trust preferred securities amount to approximately $5.4 million per year. These actions will preserve cash at IBC as we do not expect Independent Bank, our bank subsidiary, to be able to pay any cash dividends in the near term. Dividends from Independent Bank are restricted by federal and state law and are further restricted by the Board resolutions adopted in December and described above. For additional information on restrictions on the ability of Independent Bank and IBC to pay dividends and similar distributions, please see "Dividend Policy" on page 130 below.

We do not have any current plans to resume dividend payments on our outstanding trust preferred securities or the outstanding shares of our preferred stock. We do not know if or when any such payments will resume.

Capital Plan

In January of 2010, we adopted a Capital Restoration Plan (the "Capital Plan"), as required by the Board resolutions adopted in December of 2009 and described above, and submitted such Capital Plan to the FRB and the Michigan OFIR

The primary objective of our Capital Plan is to achieve and thereafter maintain the minimum capital ratios required by the Board resolutions adopted in December of 2009. As of September 30, 2009, our bank continued to be meet the requirements to be considered "well-capitalized" under federal regulatory standards. However, the minimum capital ratios established by our Board are higher than the ratios required in order to be considered "well-capitalized" under federal standards. The Board imposed these higher ratios in order to ensure we have sufficient capital to withstand potential continuing losses based on our elevated level of non-performing assets and given the other risks and uncertainties we face, as described in this prospectus. Set forth below are the actual capital ratios of our subsidiary bank as of September 30, 2009, the minimum capital ratios imposed by the Board resolutions, and the minimum ratios necessary to be considered "well-capitalized" under federal regulatory standards:

	Independent Bank - Actual as of 9/30/09	Minimum Ratios Established by Our Board	Required to be Well-Capitalized
Total Capital to Risk-Weighted Assets	10.68%	11.0%	10.0%
Tier 1 Capital to Average Total Assets	7.32%	8.0%	5.0%

The Capital Plan sets forth an objective of achieving these minimum capital ratios as soon as practicable, but no later than April 30, 2010, and maintaining such capital ratios though at least the end of 2012.

The Capital Plan includes projections prepared by the Bank's management that reflect forecasted financial data through 2012. Those projections anticipate a need of a minimum of $60 million of additional capital in order for us to achieve the minimum ratios established by our Board. The projections take into account the various risks and uncertainties we face, as described in this prospectus. However, because the projections are based on assumptions regarding these risks and uncertainties, which assumptions may not prove to be true, the Capital Plan contains a target of $100 million to $125 million of additional capital to be raised by IBC.

The Capital Plan sets forth certain initiatives to be pursued in order to raise additional capital and meet the objectives of the Capital Plan. Based on discussions with the investment bankers we have retained to assist us in raising capital, our Capital Plan concludes that our best option for raising additional capital is through the sale of additional shares of our common stock in a public offering. We anticipate that all or substantially all of the proceeds of such an offering would be contributed to the capital of our subsidiary bank.

In anticipation of the capital raising initiatives described in the Capital Plan, we engaged an independent third party to perform a due diligence review (a "stress test") on our commercial loan portfolio and a separate independent third party to perform a similar review of our retail loan portfolio. These independent stress tests were concluded in January of 2010. Each analysis included different scenarios based on expectations of future economic conditions. We engaged these independent reviews in order to ensure that the similar analyses we had performed internally in 2009, on which we based our projections for future expected loan losses and our need for additional capital, were reasonable and did not materially understate our projected loan losses. Based on the conclusions of these third party reviews, we determined that we did not need to modify our projections used for purposes of the Capital Plan. Even though we have had independent third party review of these loan portfolios, we cannot be sure that our allowance for loan losses and the additional provisions we anticipate taking to increase such allowance will be sufficient to absorb all loan losses.

In addition to contemplating a public offering of our common stock for cash, the Capital Plan contemplates two other primary capital raising initiatives: (1) an offer to exchange shares of our common stock for any or all of our outstanding trust preferred securities (as described in this prospectus), and (2) an offer to exchange shares of our common stock for any or all of the shares of our preferred stock held by the Treasury (as described above). These two initiatives are designed to do the following:

- improve our holding company's ratio of tangible common equity (TCE) to tangible assets;
- reduce required annual interest and dividend payments by reducing the aggregate principal amount of outstanding trust preferred securities and outstanding shares of preferred stock; and
- improve our ability to successfully raise additional capital through a public offering of our common stock.

See "The Exchange Offers" beginning on page 119 below for more information regarding the purpose of these initiatives and the importance of the exchange offers described in this prospectus to our successful implementation of the Capital Plan.

Our Capital Plan also outlines various contingency plans in case we do not succeed in raising all additional capital needed. These contingency plans include a possible further reduction in our assets (such as through a sale of branches, loans, and/or other operating divisions or subsidiaries), more significant expense reductions than those that have already been implemented and those that are currently being considered, and a sale of Independent Bank. Because of current market conditions and based on discussions with our investment bankers and informal discussions we have held in the past with potential buyers for certain of our assets, we believe we are more likely to meet the minimum capital ratios set forth in the Capital Plan through raising new equity capital than we are through pursuing any of these contingency plans. However, the contingency plans were considered and included within the Capital Plan in recognition of the possibility that market conditions for these transactions may improve and that such transactions may be necessary or required by our regulators if we are unable to raise sufficient equity capital through the capital raising initiatives described above.

The Capital Plan concludes with a recognition that our strategy and focus for the near term will be to improve our asset quality and pursue the capital raising initiatives described above in order to strengthen our capital position.

Developments at Mepco Finance Corporation

Mepco Finance Corporation ("Mepco") is a subsidiary of Independent Bank that purchases payment plans, on a full recourse basis, from companies (which we refer to as Mepco's "counterparties") that provide vehicle service contracts and similar products to consumers. The payment plans purchased by Mepco are reflected as finance receivables on our consolidated balance sheet. Over 40% of the payment plans currently held by Mepco were purchased from a single counterparty. Recently, this counterparty has experienced decreased sales (and eventually stopped all new sales efforts in December of 2009) and significantly increased levels of customer cancellations. In addition, this counterparty is subject to a multi-state attorney general investigation and multiple civil lawsuits (including class action lawsuits) regarding certain of its business practices. These events have increased costs for the counterparty, putting further pressure on its cash flow and profitability. In December of 2009, we were advised that this counterparty plans to wind down its business operations and is contemplating a bankruptcy filing in the near future.

Mepco is actively working to reduce its credit exposure to this counterparty. The amount of payment plans (finance receivables) purchased from this counterparty and outstanding at December 31, 2009 totaled approximately $206.1 million. In addition, as of December 31, 2009, this counterparty owes Mepco $16.2 million for previously cancelled payment plans. The wind down of operations by this counterparty is likely to lead to substantial potential losses as this entity will not be in a position to honor its recourse obligations on payment plans that Mepco has purchased which are cancelled prior to payment in full. In that event, Mepco will seek to recover amounts owed by the counterparty from various co-obligors and guarantors and through the liquidation of certain collateral held by Mepco (that had an estimated value of approximately $17.7 million at December 31, 2009). However, we are not certain as to the amount of any such recoveries. In the third quarter of 2009, Mepco recorded a $6.0 million expense (as part of vehicle service contract counterparty contingencies that is included in non-interest expense) to establish a reserve for losses related to this counterparty. We expect to record an additional expense of approximately $12.4 million related to this counterparty in the fourth quarter of 2009.

In addition to any losses associated with the wind down of this counterparty's business, such wind down will represent a significant reduction in the size of Mepco's business. Even with the counterparty losses experienced by Mepco in 2009 (including those related to this counterparty, as described above), Mepco remained profitable in 2009 with net income of approximately $5 million. The projections included within our Capital Plan described above contemplate that the amount of total payment plans (finance receivables) held by Mepco will decline by approximately $172 million in 2010 and by an additional $35 million in 2011 due to the loss of business from this counterparty as well as our desire to reduce finance receivables as a percentage of total assets. We expect the reduction in the size of Mepco's business to negatively affect our profitability in the near term.

Interim Financial Data

The following is summary financial data as of and for the two- and eleven-months ended November 30, 2009. The financial results for these interim periods are not necessarily indicative of the results to be expected for the full year. Further, this interim financial data does not reflect many of the financial processes and evaluations that take place when compiling and reporting our financial results on a quarterly basis. For example:

- The provision for loan losses for the two months ended November 30, 2009 reflects a budgeted amount rather than the amount that would be recorded as a result of our in depth analysis of the allowance for loan losses that is completed at quarter end;

- The assessment for other than temporary impairment on investment securities is only completed at quarter end;

- A valuation of capitalized mortgage servicing rights is only completed at quarter end;

- As discussed in "Recent Developments" above, we expect to record a substantial loss for vehicle service contract contingencies at Mepco in December 2009; and

- An analysis of potential impairment of goodwill is only completed at quarter end. At November 30, 2009, we had $16.7 million of goodwill, all contained within our Mepco reporting unit. Because of significant adverse developments in Mepco's business, as discussed in "Recent Developments" above, there is a likelihood that we will determine this goodwill to be impaired at year end, resulting in a write off of all or a substantial portion of the goodwill.

Release of Final 2009 Results

We currently anticipate reporting our financial results for the full 2009 fiscal year at the end of February, in conjunction with the expected completion of the year-end audit by our independent auditors. We currently do not intend to commence the exchange offers described in this prospectus until such audited financial results have been released.

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Condition

		November 30, 2009		December 31, 2008
		(unaudited) (in thousands)		
Assets				
Cash and due from banks	$	270,474	$	57,705
Trading securities		42		1,929
Securities available for sale		171,251		215,412
Federal Home Loan Bank and Federal Reserve Bank stock, at cost		27,854		28,063
Loans held for sale, carried at fair value		34,582		27,603
Loans				
Commercial		849,561		976,391
Mortgage		757,272		839,496
Installment		308,076		356,806
Finance receivables		421,721		286,836
Total Loans		2,336,630		2,459,529
Allowance for loan losses		(81,932)		(57,900)
Net Loans		2,254,698		2,401,629
Other real estate and repossessed assets		31,998		19,998
Property and equipment, net		73,033		73,318
Bank owned life insurance		46,335		44,896
Goodwill		16,734		16,734
Other intangibles		10,496		12,190
Capitalized mortgage loan servicing rights		14,302		11,966
Accrued income and other assets		38,889		44,802
Total Assets	$	2,990,688	$	2,956,245
Liabilities and Shareholders' Equity				
Deposits				
Non-interest bearing	$	337,421	$	308,041
Savings and NOW		1,015,105		907,187
Retail time		553,147		668,968
Brokered time		620,147		182,283
Total Deposits		2,525,820		2,066,479
Federal funds purchased				750
Other borrowings		156,747		541,986
Subordinated debentures		92,888		92,888
Financed premiums payable		28,220		26,636
Accrued expenses and other liabilities		38,215		32,629
Total Liabilities		2,841,890		2,761,368
Shareholders' Equity				
Preferred stock, Series A, no par value, $1,000 liquidation preference per share 200,000 shares authorized; 72,000 shares issued and		69,099		68,456

Outstanding at September 30, 2009 and December 31, 2008				
Common stock, $1.00 par value 60,000,000 shares authorized;				
issued and outstanding: 24,029,125 shares at September 30, 2009				
and 23,013,980 shares at December 31, 2008		23,838		22,791
Capital surplus		201,471		200,687
Accumulated deficit		(129,740)		(73,849)
Accumulated other comprehensive loss		(15,870)		(23,208)
Total Shareholders' Equity		148,798		194,877
Total Liabilities and Shareholders' Equity	$	2,990,688	$	2,956,245

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Condensed Consolidated Statements of Operations

	Two Months Ended November 30,		Eleven Months Ended November 30,	
	2009	2008	2009	2008
	(unaudited) (in thousands)			
Interest Income				
Interest and fees on loans	$ 28,630	$ 30,646	$ 163,545	$171,949
Interest on securities				
Taxable	1,005	1,313	5,918	7,871
Tax-exempt	526	828	3,450	6,826
Other investments	122	232	984	1,417
Total Interest Income	30,283	33,019	173,897	188,063
Interest Expense				
Deposits	5,857	6,610	32,325	43,590
Other borrowings	2,159	3,990	14,180	24,501
Total Interest Expense	8,016	10,600	46,505	68,091
Net Interest Income	22,267	22,419	127,392	119,972
Provision for loan losses	15,437	9,227	93,353	52,683
Net Interest Income After Provision for Loan Losses	6,830	13,192	34,039	67,289
Non-interest Income				
Service charges on deposit accounts	3,819	3,894	22,031	22,121
Net gains (losses) on assets				
Mortgage loans	1,151	664	9,951	4,641
Securities	28	(1,003)	3,798	(9,040)
VISA check card interchange income	985	891	5,380	5,225
Mortgage loan servicing	210	463	1,221	2,008
Title insurance fees	266	179	2,128	1,287
Other income	1,253	1,651	8,573	9,574
Total Non-interest Income	7,712	6,739	53,082	35,816
Non-interest Expense				
Compensation and employee benefits	9,094	9,236	48,822	51,251
Vehicle service contract counterparty contingencies	1,965		13,693	
Loan and collection	2,021	1,767	12,914	7,662
Occupancy, net	1,844	1,747	10,054	10,545
Loss on other real estate and repossessed assets	35	33	6,793	2,124
Data processing	1,428	1,310	7,680	6,507
Deposit insurance	1,096	316	6,766	1,842
Furniture, fixtures and equipment	1,216	1,157	6,640	6,461
	1,183	853	6,037	4,346

Credit card and bank service fees				
Advertising	802	982	5,000	4,825
Other expenses	2,899	2,932	15,589	16,868
Total Non-interest Expense	23,583	20,333	139,988	112,431
Loss Before Income Tax	(9,041)	(402)	(52,867)	(9,326)
Income tax (benefit)	113	(461)	(1,641)	(7,746)
Net Income (Loss)	(9,154)	59	(51,226)	(1,580)
Preferred dividends	718		3,943	
Net Income (Loss) Applicable to Common Stock	$ (9,872)	$ 59	$ (55,169)	$ (1,580)

Net Loss Per Common Share				
Basic	$ (.41)	.00	$ (2.32)	$ (.07)
Diluted	$ (.41)	.00	$ (2.32)	$ (.07)
Dividends Per Common Share				
Declared	$ --	$ .01	$ .03	$ .14
Paid	.01	.01	.04	.34

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RESULTS OF OPERATIONS

This section contains discussions of the results of our consolidated operations for (1) the three- and nine-month periods ended September 30, 2009, as compared to the comparable periods in 2008, and (2) fiscal year 2008, as compared to fiscal years 2007 and 2006.

Three and Nine Months Ended September 30, 2009 Compared to Three and Nine Months Ended September 30, 2008

Summary

We incurred a net loss of $18.3 million and a net loss applicable to common stock of $19.4 million during the three months ended September 30, 2009, compared to a net loss of $5.3 million during the comparable period in 2008. The 2009 loss is primarily due to increases in the provision for loan losses and non-interest expenses. These changes were partially offset by increases in net interest income and non-interest income.

We incurred a net loss of $42.1 million and a net loss applicable to common stock of $45.3 million during the nine months ended September 30, 2009, compared to a net loss of $1.6 million during the comparable period in 2008. The reasons for the changes in the year-to-date comparative periods are generally commensurate with the quarterly comparative periods.

Key performance ratios

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net loss (annualized) to[1]				
Average assets	(2.59)%	(0.66)%	(2.03)%	(0.07)%
Average equity	(73.46)	(8.97)	(53.32)	(0.91)
Net loss per common share[1]				
Basic	$(0.81)	$(0.23)	$(1.90)	$(0.07)
Diluted	(0.81)	(0.23)	(1.90)	(0.07)

(1) For the three- and nine-month periods ended September 30, 2009 these amounts are calculated using net loss applicable to common stock.

Net Interest Income

Net interest income is the most important source of our earnings and thus is critical in evaluating our results of operations. Changes in our tax equivalent net interest income are primarily influenced by our level of interest-earning assets and the income or yield that we earn on those assets and the manner and cost of funding our interest-earning assets. Certain macro-economic factors can also influence our net interest income such as the level and direction of interest rates, the difference between short-term and long-term interest rates (the steepness of the yield curve) and the general strength of the economies in which we are doing business. Finally, risk management plays an important role in our level of net interest income. The ineffective management of credit risk and interest-rate risk in particular can adversely impact our net interest income.

Tax equivalent net interest income increased by 2.2% to $35.8 million and by 5.5% to $106.9 million, respectively, during the three- and nine-month periods in 2009 compared to 2008. These increases reflect a rise in our tax equivalent net interest income as a percent of average interest-earning assets ("Net Yield") that was partially offset by a decrease in average interest-earning assets.

We review yields on certain asset categories and our net interest margin on a fully taxable equivalent basis. This presentation is not in accordance with generally accepted accounting principles ("GAAP") but is customary in the banking industry. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. The adjustments to determine tax equivalent net interest income were $0.5 million and $1.1 million for the third quarters of 2009 and 2008, respectively, and were $1.8 million and $3.8 million for the first nine months of 2009 and 2008, respectively. These adjustments were computed using a 35% tax rate.

Average interest-earning assets totaled $2.761 billion and $2.765 billion during the three- and nine-month periods in 2009, respectively. The decreases in average interest-earning assets since 2008 are due primarily to declines in both loans and securities.

Our Net Yield increased by 39 basis points to 5.15% during the third quarter of 2009 and also by 59 basis points to 5.17% during the first nine months of 2009 as compared to the like periods in 2008. The tax equivalent yield on average interest-earning assets declined, which primarily reflects low short-term interest rates that have resulted in variable rate loans and securities re-pricing and new loans being originated at generally lower rates as well as an increase in non-accrual loans. The decline in the tax equivalent yield on average interest-earning assets that otherwise would have been expected due to low short-term interest rates was partially offset by a change in loan mix (higher yielding finance receivables making up a greater percentage of loans) and the existence of floors on some variable rate commercial loans. The decrease in the tax equivalent yield on average interest-earning assets was more than offset by a decline in our interest expense as a percentage of average interest-earning assets (the "cost of funds"). The decrease in our cost of funds also reflects low short-term interest rates that have resulted in decreased rates on certain short-term and variable rate borrowings and on deposits.

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Our tax equivalent net interest income is also adversely impacted by our level of non-accrual loans. In the third quarter and first nine months of 2009 non-accrual loans averaged $119.5 million and $122.8 million, respectively compared to $115.4 million and $101.0 million, respectively for the same periods in 2008. In addition, in the third quarter and first nine months of 2009 we reversed $0.4 million and $2.0 million, respectively, of accrued and unpaid interest on loans placed on non-accrual during each period compared to $0.3 million and $1.8 million, respectively during the same periods in 2008.

Average Balances and Tax Equivalent Rates

	Three Months Ended September 30,					
	2009			2008		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Assets [1]	(dollars in thousands)					
Taxable loans	$2,464,183	$ 45,190	7.29%	$ 2,584,151	$ 46,294	7.14%
Tax-exempt loans [2]	7,931	153	7.65	11,953	205	6.82
Taxable securities	110,929	1,475	5.28	142,483	2,078	5.80
Tax-exempt securities [2]	81,099	1,285	6.29	145,911	2,630	7.17
Cash interest bearing	68,373	29	0.17			
Other investments	28,087	270	3.81	45,362	466	4.09
Interest Earning Assets	2,760,602	48,402	6.97	2,929,860	51,673	7.02
Cash and due from banks	57,133			56,922		
Other assets, net	157,309			224,626		
Total Assets	$2,975,044			$ 3,211,408		
Liabilities						
Savings and NOW	$1,009,110	1,403	0.55	$ 966,415	2,262	0.93
Time deposits	1,096,644	7,706	2.79	814,434	7,315	3.57
Other borrowings	287,025	3,537	4.89	790,353	7,099	3.57
Interest Bearing Liabilities	2,392,779	12,646	2.10	2,571,202	16,676	2.58
Demand deposits	326,246			314,116		
Other liabilities	82,432			89,951		
Shareholders' equity	173,587			236,139		
Total liabilities and shareholders' equity	$2,975,044			$ 3,211,408		
Tax Equivalent Net Interest Income		$ 35,756			$ 34,997	
Tax Equivalent Net Interest Income as a Percent of Earning Assets			5.15%			4.76%

(1) All domestic, except for $3.9 million of finance receivables included in taxable loans from customers domiciled in Canada

(2) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%

Average Balances and Tax Equivalent Rates

	Nine Months Ended September 30,					
	2009			2008		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
Assets [1]	(dollars in thousands)					
Taxable loans	$2,490,900	$134,647	7.22%	$ 2,575,809	$140,925	7.30%
Tax-exempt loans [2]	8,442	412	6.53	10,969	582	7.09
Taxable securities	114,608	4,913	5.73	152,812	6,558	5.73
Tax-exempt securities [2]	90,843	4,571	6.73	179,914	9,562	7.10
Cash interest bearing	31,467	40	0.17			
Other investments	28,454	822	3.86	32,553	1,185	4.86
Interest Earning Assets	2,764,714	145,405	7.03	2,952,057	158,812	7.18
Cash and due from banks	55,871			53,354		
Other assets, net	158,753			226,367		
Total Assets	$2,979,338			$3,231,778		
Liabilities						
Savings and NOW	$ 976,571	4,477	0.61	$985,938	8,281	1.12
Time deposits	977,943	21,991	3.01	928,304	28,699	4.13
Long-term debt				330	12	4.86
Other borrowings	443,895	12,021	3.62	689,296	20,499	3.97
Interest Bearing Liabilities	2,398,409	38,489	2.15	2,603,868	57,491	2.95
Demand deposits	318,633			300,411		
Other liabilities	80,010			87,530		
Shareholders' equity	182,286			239,969		
Total liabilities and shareholders' equity	$2,979,338			$3,231,778		
Tax Equivalent Net Interest Income		$106,916			$101,321	
Tax Equivalent Net Interest Income as a Percent of Earning Assets			5.17%			4.58%

(1) All domestic, except for $6.2 million of finance receivables included in taxable loans from customers domiciled in Canada

(2) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%

Provision for Loan Losses

The provision for loan losses was $22.3 million and $19.8 million during the three months ended September 30, 2009 and 2008, respectively. During the nine-month periods ended September 30, 2009 and 2008, the provision was $77.9 million and $43.5 million, respectively. The provisions reflect our assessment of the allowance for loan losses taking into consideration factors such as loan mix, levels of non-performing and classified loans and loan net charge-offs. While we use relevant information to recognize losses on loans, additional provisions for related losses may be necessary based on changes in economic conditions, customer circumstances and other credit risk factors. The elevated level of the provision for loan losses in all periods reflects higher levels of non-performing loans and loan net charge-offs. (See "Portfolio Loans and Asset Quality.")

Non-Interest Income

Non-interest income is a significant element in assessing our results of operations. On a long-term basis we are attempting to grow non-interest income in order to diversify our revenues within the financial services industry. We regard net gains on mortgage loan sales as a core recurring source of revenue but they are quite cyclical and volatile. We regard net gains (losses) on securities as a "non-operating" component of non-interest income.

Non-interest income totaled $12.8 million during the three months ended September 30, 2009, a $7.3 million increase from the comparable period in 2008. This increase was primarily due to increases in gains on mortgage loans and securities. For the first nine months of 2009 non-interest income totaled $45.4 million, a $16.3 million increase from the comparable period in 2008. The components of the year to date changes are generally commensurate with the quarterly changes.

Non-Interest Income

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(in thousands)			
Service charges on deposit accounts	$6,384	$6,416	$18,212	$18,227
Net gains (losses) on assets				
Mortgage loans	2,257	969	8,800	3,977
Securities	121	(6,711)	3,770	(8,037)
VISA check card interchange income	1,480	1,468	4,395	4,334
Mortgage loan servicing	(496)	340	1,011	1,545
Mutual fund and annuity commissions	498	680	1,490	1,748
Bank owned life insurance	387	506	1,143	1,468
Title insurance fees	521	307	1,862	1,108
Other	1,629	1,473	4,687	4,707
Total non-interest income	$12,781	$5,448	$45,370	$29,077

Service charges on deposit accounts were nearly unchanged during the three- and nine-month periods ended September 30, 2009, respectively, from the comparable periods in 2008. There have recently been bills introduced in Congress that may, among other things: require a written opt-in for banks to enroll customers in overdraft protection programs; limit the number of overdraft fees per customer on both a monthly and annual basis; require fees to be proportional to the cost of processing overdrafts; mandate that customers be warned if an ATM transaction would overdraw their account; and require transactions to be posted "in such a manner that the consumer does not incur avoidable overdraft coverage fees." Although we have not done a detailed analysis of the potential impact of this proposed legislation on our level of overdraft fees, in general, we believe that such legislation as proposed, would have an adverse impact on our present level of service charges on deposits accounts.

Net gains on the sale of mortgage loans increased significantly on both a quarterly and a year to date basis. The increase in gains relates primarily to a sharp increase in mortgage loan origination volume and loan sales. This was due to a substantial rise in refinancing activity resulting from generally lower mortgage loan interest rates particularly during mid-2009. Mortgage loan refinancing activity moderated during the third quarter, and as a result, we would presently expect a lower level of gains on the sale of mortgage loans in the last quarter of 2009.

Mortgage Loan Activity

	Three months ended	Nine months ended

	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
	(in thousands)			
Mortgage loans originated	$110,229	$74,506	$461,764	$304,064
Mortgage loans sold	144,518	52,837	445,327	217,524
Mortgage loans sold with servicing rights released	20,676	16,760	35,279	36,302
Net gains on the sale of mortgage loans	2,257	969	8,800	3,977
Net gains as a percent of mortgage loans sold ("Loan Sale Margin")	1.56%	1.83%	1.98%	1.83%
Fair value adjustments included in the Loan Sale Margin	(0.51)	(0.03)	0.06	0.28

The volume of loans sold is dependent upon our ability to originate mortgage loans as well as the demand for fixed-rate obligations and other loans that we cannot profitably fund within established interest-rate risk parameters. (See "Portfolio Loans and Asset Quality.") Net gains on mortgage loans are also dependent upon economic and competitive factors as well as our ability to effectively manage exposure to changes in interest rates. As a result, this category of revenue can be quite cyclical and volatile.

Securities net gains totaled $0.1 million during the three months ended September 30, 2009, compared to a net loss of $6.7 million for the comparable period in 2008. The third quarter 2009 securities net gains were primarily due to the sale of municipal securities, while third quarter 2008 securities net losses included a decline in the fair value of trading securities of $7.7 million and other than temporary impairment charges of $0.1 million on securities available for sale. The decline in the fair value of trading securities related principally to our holdings of preferred stocks. Partially offsetting these losses, we generated $1.1 million of gains in 2008 related to the sale of $48.4 million of municipal securities.

Securities net gains totaled $3.8 million during the first nine months of 2009 compared to securities net losses of $8.0 million during the first nine months of 2008. The 2009 securities net gains were primarily due to increases in the fair value and gains on the sale of Bank of America preferred stock. We sold all of this preferred stock in June 2009. The 2008 securities net losses were primarily due to a $9.7 million decline in the fair value of trading securities (all preferred stocks) and other than temporary impairment charges of $0.1 million on securities available for sale. Partially offsetting these losses, we generated $1.8 million of gains in the first nine months of 2008 related to the sale of $69.1 million of municipal securities.

VISA check card interchange income increased modestly in 2009 compared to 2008. These results can primarily be attributed to a rise in the frequency of use of our VISA check card product by our customer base. We have in place a rewards program for our VISA check card customers to encourage greater use of this product.

Mortgage loan servicing generated a loss of $0.5 million and income of $1.0 million in the third quarter and first nine months of 2009 respectively, compared to income of $0.3 million and $1.5 million in the corresponding periods of 2008, respectively. These variances are primarily due to changes in the impairment reserve on and the amortization of capitalized mortgage loan servicing rights. The period end impairment reserve is based on a valuation of our mortgage loan servicing portfolio and the amortization is primarily impacted by prepayment activity.

Activity related to capitalized mortgage loan servicing rights is as follows:

Capitalized Mortgage Loan Servicing Rights

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(in thousands)			
Balance at beginning of period	$14,538	$16,551	$11,966	$15,780
Originated servicing rights capitalized	1,321	403	4,444	2,035
Amortization	(716)	(346)	(3,535)	(1,478)
(Increase)/decrease in impairment reserve	(809)	(348)	1,459	(77)
Balance at end of period	$14,334	$16,260	$14,334	$16,260
Impairment reserve at end of period	$ 3,192	$ 396	$ 3,192	$ 396

At September 30, 2009 we were servicing approximately $1.72 billion in mortgage loans for others on which servicing rights have been capitalized. This servicing portfolio had a weighted average coupon rate of approximately 5.78% and a weighted average service fee of 25.7 basis points. Remaining capitalized mortgage loan servicing rights at September 30, 2009 totaled $14.3 million and had an estimated fair market value of $15.0 million.

Mutual fund and annuity commissions declined in 2009 compared to 2008 due to lower sales of these products primarily reflecting customer uncertainty about the economy and concerns about the volatility of the equities market.

Income from bank owned life insurance decreased in 2009 compared to 2008 primarily due to a reduced crediting rate reflecting the decline in interest rates, particularly on mortgage-backed securities.

The significant increases in title insurance fees in 2009 compared to 2008 primarily reflect the changes in our mortgage loan origination volumes.

Other non-interest income in the third quarter and first nine months of 2009 includes $0.4 million and $1.0 million, respectively, related to foreign currency transaction gains associated with Canadian dollar denominated finance receivables. The Canadian dollar appreciated significantly compared to the US dollar during 2009. Total Canadian dollar denominated finance receivables had declined to $3.1 million at September 30, 2009. As a result, we would expect future foreign currency transaction gains or losses to be relatively minor. Other non-interest income for the first nine months of 2008 includes first quarter revenue of $0.4 million from the redemption of 8,551 shares of Visa, Inc. Class B Common Stock as part of the Visa initial public offering. Overall, other non-interest income for both the quarterly and year-to-date comparative periods was relatively consistent.

Non-Interest Expense

Non-interest expense is an important component of our results of operations. Historically, we primarily focused on revenue growth, and while we strive to efficiently manage our cost structure, our non-interest expenses generally increased from year to year because we expanded our operations through acquisitions and by opening new branches and loan production offices. Because of the current challenging economic environment that we are confronting, our expansion through acquisitions or by opening new branches is unlikely in the near term. Further, management is focused on a number of initiatives to reduce and contain non-interest expenses.

Non-interest expense increased by $14.5 million to $45.2 million and by $24.3 million to $116.4 million during the three- and nine-month periods ended September 30, 2009, respectively, compared to the like periods in 2008. These changes are primarily due to estimated losses at our Mepco business unit related to vehicle service contract payment plan counterparty risk and increases in loan and collection expenses, losses on other real estate and repossessed assets, and FDIC insurance.

Non-Interest Expense

	Three months ended September 30,		Nine months ended, September 30,	
	2009	2008	2009	2008
	(in thousands)			
Salaries	$ 10,205	$ 10,110	$ 29,689	$29,993
Performance-based compensation and benefits	1,067	1,336	2,143	4,083
Other benefits	2,551	2,577	7,896	7,939
Compensation and employee benefits	13,823	14,023	39,728	42,015
Vehicle service contract counterparty Contingencies	8,713		11,728	
Loan and collection	3,628	2,008	10,893	5,895
Occupancy, net	2,602	2,871	8,210	8,798
Loss on other real estate and repossessed assets	3,558	425	6,758	2,091
Data processing	2,146	1,760	6,252	5,197
Deposit insurance	1,729	275	5,670	1,526
Furniture, fixtures and equipment	1,727	1,662	5,424	5,304
Credit card and bank service fees	1,722	1,273	4,854	3,493
Advertising	1,335	1,575	4,198	3,843
Communications	1,152	968	3,304	3,004
Legal and professional	732	527	2,078	1,408
Amortization of intangible assets	432	760	1,407	2,314
Supplies	439	519	1,365	1,534
Other	1,419	2,010	4,536	5,676

Total non-interest expense	$45,157	$30,656	$116,405	$92,098

The decreases in compensation and employee benefits in 2009 compared to 2008 are primarily due to the elimination of any accruals for bonuses and the elimination of any contribution to the employee stock ownership plan. In addition, the deferral (as direct loan origination costs) of compensation and benefits has increased in 2009 as a result of the rise in mortgage loan origination activity. These compensation cost reductions were partially offset by additional staff added during 2009 to manage non-performing assets and loan collections.

Our 2003 acquisition of Mepco added the financing of insurance premiums for businesses and the acquisition and administration of payment plans to our business activities. In January 2007 we sold Mepco's insurance premium finance business. Mepco conducts its payment plan business activities across the United States and also entered Canada in early 2009. The payment plans (which are classified as finance receivables in our Consolidated Statements of Financial Condition) permit a consumer to purchase a vehicle service contract or product warranty by making installment payments, generally for a term of 12 to 24 months, to the sellers of those contracts or product warranties (one of the "counterparties"). Mepco purchases these payment plans from these counterparties on a recourse basis. Mepco generally does not evaluate the creditworthiness of the individual customer but instead primarily relies on the payment plan collateral (the unearned vehicle service contract and unearned sales commission) in the event of default. When consumers stop making payments or exercise their right to voluntarily cancel the contract, the remaining unpaid balance of the payment plan is recouped by Mepco from the counterparties that sold the vehicle service contract or product warranty and provided the coverage. As a result, we have established and monitor counterparty concentration limits in order to manage our collateral exposure. The counterparty concentration limits are primarily based on the AM Best rating and statutory surplus level for an insurance company and on other factors, including funding holdbacks and distribution of concentrations, for administrators and sellers/dealers. The sudden failure of one of Mepco's major counterparties (an insurance company, administrator, or seller/dealer) could expose us to significant losses.

Payment defaults and voluntary cancellations have increased significantly during 2009, reflecting both weak economic conditions and adverse publicity impacting the vehicle service contract industry. When counterparties do not honor their contractual obligations to Mepco to repay advanced funds, we recognize estimated losses. Mepco vigorously pursues collection (including commencing legal action) of funds due to it under its various contracts with counterparties. During September 2009, we identified a counterparty that is experiencing particularly severe financial difficulties and have accrued for estimated potential losses related to that relationship. This particular counterparty generates over 40% of Mepco's total payment plan business. Third quarter and year-to-date 2009 non-interest expenses include an $8.7 million and $11.7 million, respectively, charge related to estimated losses for vehicle service contract counterparty contingencies. These charges are being classified in non-interest expense because they are associated with a default or potential default of a contractual obligation under our counterparty contracts as opposed to loss on the administration of the payment plan itself. The total reserves for potential losses due to vehicle service payment plan counterparty defaults totaled $7.2 million at September 30, 2009 (which includes $6.0 million for the single specific counterparty described above). The reserves for potential losses are determined by estimating payment plan cancellation rates, the amount of collateral being held by Mepco to offset potential defaults, the probability of the counterparty defaulting and any amounts that might be collected from other parties (for example - guarantors). See "Recent Developments" above for more information.

Several marketers and sellers of the vehicle service contracts, including companies from which Mepco has purchased payment plans, have been sued or are under investigation for alleged violations of telemarketing laws and other consumer protection laws. The actions have been brought primarily by state attorneys general and the Federal Trade Commission (FTC) but there have also been class action and other private lawsuits filed. In some cases, the companies have been placed into receivership or have discontinued business. In addition, the allegations, particularly those relating to blatantly abusive telemarketing practices by a relatively small number of marketers, have resulted in a significant amount of negative publicity that has affected or may in the future affect sales throughout the industry. It is possible these events could also cause federal or state lawmakers to enact legislation to further regulate the industry. These events could have an adverse impact on Mepco in several ways. First, we will face increased risk with respect to certain counterparties defaulting in their contractual obligations to Mepco which could result in additional charges for losses if these counterparties go out of business. In addition, if any federal or state investigation is expanded to include finance companies such as Mepco, Mepco will face additional legal and other expenses in connection with any such investigation. An increased level of private actions in which Mepco is named as a defendant will also cause Mepco to incur additional legal expenses as well as potential liability. Finally, Mepco has incurred and will likely continue to incur additional legal and other expenses in general in dealing with these industry problems. Mepco has no role in the sale or marketing of vehicle service contracts or product warranties or in the administration or payment of claims.

The increases in loan and collection costs and losses on other real estate and repossessed assets resulted principally from the elevated level of non-performing assets and lower residential housing prices. (See "Portfolio Loans and Asset Quality.")

Occupancy costs have declined in 2009 compared to the year-ago periods due primarily to the closure of some loan production offices during the last half of 2008.

Data processing expenses increased in 2009 primarily related to consulting fees paid to our core data processing services provider related to a revenue enhancement and cost efficiency project.

Deposit insurance expense increased in 2009 compared to the year-ago periods reflecting higher rates and an industry-wide special assessment of $1.4 million in the second quarter of 2009. This special assessment was equal to 5 basis points on total assets less Tier 1 capital.

As a Federal Deposit Insurance Corporation ("FDIC") insured institution, we are required to pay deposit insurance premium assessments to the FDIC. Under the FDIC's risk-based assessment system for deposit insurance premiums, all insured depository institutions are placed into one of four categories and assessed insurance premiums based primarily on their level of capital and supervisory evaluations. Insurance assessments ranged from 0.12% to 0.50% of total deposits for the first quarter 2009 assessment. Effective April 1, 2009, insurance assessments ranged from 0.07% to 0.78%, depending on an institution's risk classification and other factors.

Credit card and bank service fees have increased due primarily to an increase in payment plans/finance receivables being administered by Mepco.

Advertising expense was higher on a year-to-date basis in 2009 compared to 2008 due principally to additional direct mail promotions of our checking account and VISA check card products. Advertising expense in the third quarter of 2009 declined compared to 2008 due primarily to a reduction of certain media expenditures in order to reduce costs.

Other expenses in the third quarter and first nine months of 2008 include $0.2 million for the settlement of two litigation matters at Mepco and an accrual of $0.3 million for a potential liability at Independent Bank related to the withdrawal of funds from a deposit account in response to a tax levy. We have initially prevailed in court on the latter matter but the plaintiff can appeal this ruling so we have left the accrual intact at September 30, 2009.

Income Tax Benefit

The income tax benefit was $1.1 million and $5.7 million for the three month periods ending September 30, 2009 and 2008, respectively and $1.8 million and $7.3 million for the nine month periods ending September 30, 2009 and 2008, respectively. The benefit recognized during the three- and nine-month periods in 2009 was the result of current period adjustments to other comprehensive income ("OCI"), net of state income tax expense and adjustments to the deferred tax asset valuation allowance.

Generally, the calculation for the income tax provision (benefit) does not consider the tax effects of changes in other comprehensive income, which is a component of shareholders' equity on the balance sheet. However, an exception is provided in certain circumstances, such as when there is a pre-tax loss from continuing operations. In such case, pre-tax income from other categories (such as changes in OCI) is included in the calculation of the tax provision for the current year. For the three and nine month periods in 2009, this resulted in an income tax benefit of $1.6 million and $3.1 million, respectively.

Business Segments

Our reportable segments are based upon legal entities. We currently have two reportable segments: Independent Bank and Mepco. These business segments are also differentiated based on the products and services provided. We evaluate performance based principally on net income of the respective reportable segments.

The following table presents net income (loss) by business segment.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(in thousands)			
Independent Bank	$ (18,089)	$ (6,622)	$ (47,656)	$ (5,227)
Mepco	1,510	2,704	11,090	7,779
Other[1]	(1,711)	(1,393)	(5,722)	(4,145)
Elimination	(24)	(15)	216	(46)
Net loss	$ (18,314)	$ (5,326)	$ (42,072)	$ (1,639)

(1) Includes amounts relating to our parent company and certain insignificant operations.

The increase in the losses recorded by Independent Bank in 2009 compared to 2008 is primarily due to higher provisions for loan losses, loan and collection costs and losses on other real estate. The elevated credit related costs reflect higher levels of non-performing loans and loan net charge-offs. (See "Portfolio Loans and Asset Quality.")

Mepco's net income has generally been increasing due to growth in finance receivables and lower short-term interest rates. However, as described under "Recent Developments" and "Risk Factors" above, we expect a significant reduction in the size of Mepco's business beginning in 2010. All of Mepco's funding is provided by Independent Bank and is priced principally based on Brokered CD rates. It is unlikely that Mepco could obtain such favorable funding costs on its own in the open market. Third quarter and year-to-date 2009 non-interest expenses at Mepco include an $8.7 million and $11.7 million, respectively, charge related to vehicle service contract counterparty contingencies. (See "Non-Interest Expense.")

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007 and December 31, 2006

Summary

We incurred a loss from continuing operations of $91.7 million in 2008 compared to income from continuing operations of $10.0 million in 2007 and $33.8 million in 2006. The net loss in 2008 also totaled $91.7 million compared to net income of $10.4 million in 2007 and $33.2 million in 2006. The net loss applicable to common stock was $91.9 million in 2008. The significant change in 2008 compared to 2007 is due primarily to an increase in the provision for loan losses, losses on securities, an impairment charge on capitalized mortgage loan servicing rights, an impairment charge on goodwill, increases in loan and collection costs and losses on other real estate and repossessed assets, and a charge to income tax expense to establish a valuation allowance on most of our net deferred tax assets. These adverse changes were partially offset by an increase in net interest income. The decline in income from continuing operations in 2007 compared to 2006 is primarily due to a decline in net interest income and an increase in the provision for loan losses and increases in several components of non-interest expense.

On December 12, 2008 we issued 72,000 shares of preferred stock and 3,461,538 warrants to purchase our common stock (at a strike price of $3.12 per share) to the Treasury in return for $72.0 million under the TARP Capital Purchase Program (CPP). (See "Liquidity and Capital Resources.") As a result, during periods in which this preferred stock remains outstanding, we will also be reporting our net income (loss) applicable to common stock.

On January 15, 2007, Mepco sold substantially all of its assets related to the insurance premium finance business to Premium Financing Specialists, Inc. ("PFS"). Mepco continues to own and operate its service contract payment plan business. The assets, liabilities and operations of Mepco's insurance premium finance business have been reclassified as discontinued operations and all periods presented have been restated for this reclassification.

We completed the acquisition of ten branches with total deposits of approximately $241.4 million from TCF National Bank on March 23, 2007 (the "branch acquisition"). These branches are located in or near Battle Creek, Bay City and Saginaw, Michigan. As a result of this transaction, we received $210.1 million of cash. We used the proceeds from this transaction primarily to payoff higher costing short term borrowings and brokered certificates of deposit ("Brokered CD's"). The acquisition of these branches resulted in an increase in non-interest income, particularly service charges on deposit accounts and VISA check card interchange income during the last nine months of 2007 and in 2008 when compared to earlier periods. However, non-interest expenses also increased due to compensation and benefits for the employees at these branches as well as occupancy, furniture and equipment, data processing, communications, supplies and advertising expenses. As is customary in branch acquisitions, the purchase price ($28.1 million) was based on acquired deposit balances. We also reimbursed the seller $0.2 million for certain transaction related costs. Approximately $10.8 million of the premium paid was recorded as deposit customer relationship value, including core deposit value and will be amortized over 15 years (the remainder of the premium paid was recorded as goodwill). We also incurred other transaction costs (primarily investment banking fees, legal fees, severance costs and data processing conversion fees) of approximately $0.8 million, of which $0.5 million was capitalized as part of the acquisition price and $0.3 million was expensed. In addition, the transaction included $3.7 million for the personal property and real estate associated with these branches. In the last quarter of 2008 we determined that all of the goodwill at our Independent Bank reporting unit, including the goodwill recorded as a part of this branch acquisition, was impaired, and we recorded a $50.0 million goodwill impairment charge. (See "Non-Interest Expenses.")

In September 2007 we completed the consolidation of our four bank charters into one. The primary reasons for this bank consolidation were:

- To better streamline our operations and corporate governance structure;
- To enhance our risk management processes, particularly credit risk management through more centralized credit management functions;
- To allow for more rapid development and deployment of new products and services; and
- To improve productivity and resource utilization leading to lower non-interest expenses.

During the last half of 2007 we incurred approximately $0.8 million of one-time expenses (primarily related to the data processing conversion and severance costs for employee positions that were eliminated) associated with this consolidation. To date, the benefit of these reductions in non-interest expenses due to the bank consolidation have been more than offset by higher loan and collection costs and increased staffing associated with the management of significantly higher levels of watch credits, non-performing loans and other real estate owned. (See "Portfolio Loans and Asset Quality.")

KEY PERFORMANCE RATIOS

	Year Ended December 31,		
	2008	2007	2006
Income (loss) from continuing operations			
Average common equity	(39.01)%	3.96%	13.06%
Average assets	(2.88)	0.31	0.99
Net income (loss) to			
Average common equity	(39.01)%	4.12%	12.82%
Average assets	(2.88)	0.32	0.97
Income (loss) per common share from continuing operations			
Basic	$(4.04)	$0.44	$1.48
Diluted	(4.04)	0.44	1.45
Net income (loss) per share			
Basic	$(4.04)	$0.46	$1.45
Diluted	(4.04)	0.45	1.43

Net Interest Income

Net interest income is the most important source of our earnings and thus is critical in evaluating our results of operations. Changes in our tax equivalent net interest income are primarily influenced by our level of interest-earning assets and the income or yield that we earn on those assets and the manner and cost of funding our interest-earning assets. Certain macro-economic factors can also influence our net interest income such as the level and direction of interest rates, the difference between short-term and long-term interest rates (the steepness of the yield curve) and the general strength of the economies in which we are doing business. Finally, risk management plays an important role in our level of net interest income. The ineffective management of credit risk and interest-rate risk in particular can adversely impact our net interest income.

Tax equivalent net interest income totaled $134.7 million during 2008, compared to $126.7 million and $129.8 million during 2007 and 2006, respectively. We review yields on certain asset categories and our net interest margin on a fully taxable equivalent basis. This presentation is not in accordance with GAAP but is customary in the banking industry. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. The adjustments to determine tax equivalent net interest income were $4.6 million, $6.1 million and $6.6 million in 2008, 2007 and 2006, respectively, and were computed using a 35% tax rate. The increase in tax equivalent net interest income in 2008 compared to 2007 reflects a 37 basis point rise in our tax equivalent net interest income as a percent of average interest-earning assets ("net interest margin") that was partially offset by a $65.7 million decrease in average interest-earning assets. The decrease in tax equivalent net interest income in 2007 compared to 2006 reflects a 15 basis point decline in our net interest margin that was partially offset by a $28.5 million increase in average interest-earning assets.

From mid-2004 through mid-2006 the FRB pushed the target federal funds rate up from 1% to 5.25%. The target federal funds rate then remained at 5.25% until September 2007. During this time period the yield curve also flattened and in some cases even inverted. This interest rate environment caused an erosion in the net interest margin of many financial institutions during 2006 and 2007, including us, when compared to earlier periods. From September 2007 to December 2008 the FRB has reduced the target federal funds rate from 5.25% to 0.25%. In addition, the yield curve has steepened considerably. The current interest rate environment (lower short-term interest rates and steeper yield curve) has had a favorable impact on our net interest margin during 2008. Our balance sheet was generally structured to benefit from lower short-term interest rates. For example, most of our Brokered CD's were callable which allowed us to call (retire) them and replace them at much lower interest rates. However, some of the benefits of the current interest rate environment are being partially offset by our increased level of non-accrual loans that create a drag on our net interest margin and tax equivalent net interest income. Average non-accrual loans totaled $104.7 million, $53.1 million and $21.1 million in 2008, 2007 and 2006, respectively.

AVERAGE BALANCES AND TAX EQUIVALENT RATES

	2008			2007			2006		
	Average Balance	**Interest**	**Rate**	**Average Balance**	**Interest**	**Rate**	**Average Balance**	**Interest**	**Rate**
				(Dollars in thousands)					
ASSETS(1)									
Taxable loans	$2,558,621	$186,259	7.28%	$2,531,737	$201,924	7.98%	$2,464,798	$193,606	7.85%
Tax-exempt loans(2)	10,747	751	6.99	9,568	672	7.02	7,293	509	6.98
Taxable securities	144,265	8,467	5.87	179,878	9,635	5.36	207,456	11,108	5.35
Tax-exempt securities(2)	162,144	11,534	7.11	225,676	15,773	6.99	248,495	17,484	7.04
Other investments	31,425	1,284	4.09	26,017	1,338	5.14	16,366	802	4.90
Interest earning assets-continuing operations	2,907,202	208,295	7.16	2,972,876	229,342	7.71	2,944,408	223,509	7.59
Cash and due from banks	53,873			57,174			53,844		
Taxable loans-discontinued operations				8,542			198,335		
Other assets, net	227,969			218,553			210,190		
Total assets	$3,189,044			$3,257,145			$3,406,777		
LIABILITIES									
Savings and NOW	$968,180	10,262	1.06	$971,807	18,768	1.93	$864,528	13,604	1.57
Time deposits	917,403	36,435	3.97	1,439,177	70,292	4.88	1,405,850	60,686	4.32
Long-term debt	247	12	4.86	2,240	104	4.64	4,240	205	4.83
Other borrowings	682,884	26,878	3.94	205,811	13,499	6.56	329,175	19,203	5.83
Interest bearing liabilities-continuing operations	2,568,714	73,587	2.86	2,619,035	102,663	3.92	2,603,793	93,698	3.60
Demand deposits	301,117			300,886			279,279		
Time deposits-discontinued operations				6,166			172,317		
Other liabilities	79,929			79,750			92,451		
Shareholders' equity	239,284			251,308			258,937		
Total liabilities and shareholders' equity	$3,189,044			$3,257,145			$3,406,777		
Net interest income		$134,708			$126,679			$129,811	
Net interest income as a percent of average interest earning assets			4.63%			4.26%			4.41%

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(1) All domestic.

(2) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%.

CHANGE IN TAX EQUIVALENT NET INTEREST INCOME

	2008 compared to 2007			2007 compared to 2006		
	Volume	Rate	Net	Volume	Rate	Net
			(In thousands)			
Increase (decrease) in interest income(1)						
Taxable loans(2)	$2,124	$(17,789)	$(15,665)	$5,310	$3,008	$8,318
Tax-exempt loans(2,3)	82	(3)	79	160	3	163
Taxable securities(2)	(2,031)	863	(1,168)	(1,477)	4	(1,473)
Tax-exempt securities(2, 3)	(4,515)	276	(4,239)	(1,596)	(115)	(1,711)
Other investments(2)	249	(303)	(54)	495	41	536
Total interest income	(4,091)	(16,956)	(21,047)	2,892	2,941	5,833
Increase (decrease) in interest expense(1)						
Savings and NOW	(70)	(8,436)	(8,506)	1,824	3,340	5,164
Time deposits	(22,342)	(11,515)	(33,857)	1,468	8,138	9,606
Long-term debt	(97)	5	(92)	(93)	(8)	(101)
Other borrowings	20,619	(7,240)	13,379	(7,868)	2,164	(5,704)
Total interest expense	(1,890)	(27,186)	(29,076)	(4,669)	13,634	8,965
Net interest income	$(2,201)	$10,230	$8,029	$7,561	$(10,693)	$(3,132)

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

(2) All domestic.

(3) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%.

COMPOSITION OF AVERAGE INTEREST EARNING ASSETS AND INTEREST BEARING LIABILITIES

	Year Ended December 31,		
	2008	2007	2006
As a percent of average interest earning assets			
Loans all domestic	88.4%	85.5%	84.0%
Other interest earning assets	11.6	14.5	16.0
Average interest earning assets	100.0%	100.0%	100.0%
Savings and NOW	33.3%	32.7%	29.4%

Time deposits	23.9	21.9	17.3
Brokered CDs	7.7	26.5	30.4
Other borrowings and long-term debt	23.5	7.0	11.3
Average interest bearing liabilities	88.4%	88.1%	88.4%
Earning asset ratio	91.2%	91.3%	86.4%
Free-funds ratio	11.6	11.9	11.6

Provision for Loan Losses

The provision for loan losses was $72.3 million during 2008 compared to $43.2 million and $16.3 million during 2007 and 2006, respectively. Changes in the provision for loan losses reflect our assessment of the allowance for loan losses. The significant increases in the provision for loan losses over the last three years principally reflect a rise in the level of net loan charge-offs and non-performing loans. While we use relevant information to recognize losses on loans, additional provisions for related losses may be necessary based on changes in economic conditions, customer circumstances and other credit risk factors. (See "Portfolio Loans and Asset Quality.")

Non-Interest Income

Non-interest income is a significant element in assessing our results of operations. On a long-term basis we are attempting to grow non-interest income in order to diversify our revenues within the financial services industry. We regard net gains on mortgage loan sales as a core recurring source of revenue but they are quite cyclical and volatile. We regard net gains (losses) on securities as a "non-operating" component of non-interest income. As a result, we believe it is best to evaluate our success in growing non-interest income and diversifying our revenues by also comparing non-interest income when excluding net gains (losses) on assets (mortgage loans and securities). In addition, 2006 included non-recurring income of $2.8 million related to the settlement of litigation with the former owners of Mepco (See "Litigation Matters.").

Non-interest income totaled $29.7 million during 2008 compared to $47.1 million and $44.9 million during 2007 and 2006, respectively. Excluding net gains and losses on mortgage loans and securities and the aforementioned income related to the settlement of litigation, non-interest income declined by 9.3% to $39.5 million during 2008 and grew by 16.8% to $43.5 million during 2007. The decline in 2008 is due primarily to a $4.3 million impairment charge on capitalized mortgage loan servicing rights.

NON-INTEREST INCOME

	Year Ended December 31,		
	2008	2007	2006
		(In thousands)	
Service charges on deposit accounts	$ 24,223	$24,251	$ 19,936
Net gains (losses) on assets			
Mortgage loans	5,181	4,317	4,593
Securities	(14,961)	(705)	171
VISA check card interchange income	5,728	4,905	3,432
Mortgage loan servicing	(2,071)	2,236	2,440
Mutual fund and annuity commissions	2,207	2,072	1,291
Bank owned life insurance	1,960	1,830	1,628
Title insurance fees	1,388	1,551	1,724
Manufactured home loan origination fees and commissions		239	884
Mepco litigation settlement			2,800
Other	6,066	6,449	5,951
Total non-interest income	$ 29,721	$ 47,145	$ 44,850

Service charges on deposit accounts totaled $24.2 million during 2008, compared to $24.3 million and $19.9 million during 2007 and 2006, respectively. In 2008 service charges on deposit accounts declined slightly as we experienced a decrease in overdraft occurrences and corresponding NSF fees. We believe this change reflects weaker economic conditions that are leading consumers to reduce overdrafts to avoid incurring NSF fees. The significant increase in 2007 compared to 2006 primarily reflects the aforementioned branch acquisition. In addition, increases in such service charges also reflect growth in checking accounts as a result of deposit account promotions, including direct mail solicitations. We opened over 27,000 new checking accounts in 2008 compared to approximately 28,000 in 2007 and 25,000 in 2006.

We realized net gains of $5.2 million on the sale of mortgage loans during 2008, compared to $4.3 million and $4.6 million during 2007 and 2006 respectively. Effective January 1, 2008, we elected fair value accounting pursuant to FASB ASC topic 825 "Financial Instruments" for mortgage loans held for sale. In addition, on January 1, 2008 we adopted FASB ASC 825-10-S99.1 "Written Loan Commitments Recorded at Fair Value through Earnings," on commitments to originate mortgage loans.

The volume of loans sold is dependent upon our ability to originate mortgage loans as well as the demand for fixed-rate obligations and other loans that we cannot profitably fund within established interest-rate risk parameters. (See "Portfolio Loans and Asset Quality.") Net gains on mortgage loans are also dependent upon economic and competitive factors as well as our ability to effectively manage exposure to changes in interest rates and thus can often be a volatile part of our overall revenues. In 2008 mortgage loan origination and sales volumes were down from 2007 and 2006 reflecting both weak economic conditions and lower home sales volumes in Michigan as well as more stringent underwriting criteria required by the secondary mortgage market, which reduced the number of applicants being approved for mortgage loans.

NET GAINS ON THE SALE OF REAL ESTATE MORTGAGE LOANS

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands)		
Mortgage loans originated	$368,517	$507,211	$525,849
Mortgage loans sold	267,216	288,826	281,285
Mortgage loans sold with servicing rights released	51,875	47,783	41,494
Net gains on the sale of mortgage loans	5,181	4,317	4,593
Net gains as a percent of mortgage loans sold	1.94%	1.49%	1.63%
SFAS #133/#159 and SAB #109 adjustments included in the Loan Sales Margin	0.36	(0.06)	0.05

Net gains as a percentage of mortgage loans sold (our "Loan Sales Margin") are impacted by several factors including competition and the manner in which the loan is sold (with servicing rights retained or released). Our decision to sell or retain real estate mortgage loan servicing rights is primarily influenced by an evaluation of the price being paid for mortgage loan servicing by outside third parties compared to our calculation of the economic value of retaining such servicing. The sale of mortgage loan servicing rights may result in declines in mortgage loan servicing income in future periods. Gains on the sale of mortgage loans were also impacted by recording fair value adjustments (as described above). Excluding the aforementioned fair value adjustments, the Loan Sales Margin would have been 1.58% in 2008, 1.55% in 2007 and 1.58% in 2006.

We incurred securities net losses of $15.0 million in 2008. These net losses were comprised of $7.7 million of losses from the sale of securities, $2.8 million of unrealized losses related to declines in the fair value of trading securities that were still being held at year-end, $0.2 million of other than temporary impairment charges and a $6.2 million charge related to the dissolution of a security as described below. These losses were partially offset by 1.9 million of gains on sales of securities (primarily municipal securities sales to reduce total assets in order to improve our capital ratios). 2008 was an unusual year as we historically have not incurred any significant net losses on securities. Pursuant to FASB ASC topic 825, we elected, effective January 1, 2008, to measure the majority of our preferred stock investments at fair value. As a result of this election, we recorded an after tax cumulative reduction of $1.5 million to retained earnings associated with the initial adoption of this standard for these preferred stocks. This preferred stock portfolio included issues of Fannie Mae, Freddie Mac, Merrill Lynch and Goldman Sachs. During 2008 we recorded unrealized net losses on securities of $2.8 million related to the decline in fair value of the preferred stocks that were still being held at year end. We also recorded realized net losses of $7.6 million on the sale of several of these preferred stocks. The 2008 securities net losses also include a write down of $6.2 million (from a par value of $10.0 million to a fair value of $3.8 million) related to the dissolution of a money-market auction rate security and the distribution of the underlying Bank of America preferred stock. The conservatorship of Fannie Mae and Freddie Mac in September 2008 resulted in the market values of the preferred stocks issued by these entities plummeting to low single digit prices per share. Prices on other preferred stocks that we owned also declined sharply as the market for these securities came under considerable stress. These were the primary factors leading to the large securities losses that we incurred during 2008.

The $0.7 million of securities net losses in 2007 include $1.0 million of other than temporary impairment charges. These charges related to Fannie Mae and Freddie Mac preferred stocks. We also recorded securities gains of approximately $0.3 million in 2007 primarily related to the sale of municipal securities. The $0.2 million of securities net gains in 2006 is due to the sale of a preferred stock. We recorded no other than temporary impairment charges on investment securities in 2006.

GAINS AND LOSSES ON SECURITIES

		Year Ended December 31,		
	Proceeds	**Gains**	**Losses(1)**	**Net**
2008	$80,348	$1,903	$16,864	$(14,961)
2007	61,520	327	$1,032	(705)
2006	1,283	171		171

(1) Losses in 2008 include a $6.2 million write-down related to the dissolution of a money-market auction rate security and the distribution of the underlying preferred stock, $0.2 million of other than temporary impairment charges and $2.8 million of losses recognized on trading securities still held at December 31, 2008 while losses in 2007 include $1.0 million of other than temporary impairment charges.

VISA check card interchange income increased to $5.7 million in 2008 compared to $4.9 million in 2007 and $3.4 million in 2006. The significant increase in 2008 and 2007 compared to 2006 is primarily due to the aforementioned branch acquisition. In addition, these results are also due to increases in the size of our card base due to growth in checking accounts as well as increases in the frequency of use of our VISA check card product by our customer base. In 2007 we introduced a rewards program to attempt to further increase the frequency of use of our VISA check card product by our customers.

Mortgage loan servicing generated revenue of $2.1 million in 2008 compared to revenue of $2.2 million and $2.4 million in 2007 and 2006, respectively. These yearly comparative declines are primarily due to changes in the valuation allowance on capitalized real estate mortgage loan servicing rights and the level of amortization of this asset. The period end valuation allowance is based on the valuation of mortgage loan servicing portfolio and the amortization is primarily impacted by prepayment activity. In particular, mortgage loan interest rates declined significantly in December 2008 resulting in higher estimated future prepayment rates and a significant increase in the valuation allowance.

CAPITALIZED REAL ESTATE MORTGAGE LOAN SERVICING RIGHTS

	2008	2007	2006
		(In thousands)	
Balance at January 1,	$15,780	$14,782	$13,439
Originated servicing rights capitalized	2,405	2,873	2,862
Amortization	(1,887)	(1,624)	(1,462)
(Increase)/decrease in valuation allowance	(4,332)	(251)	(57)
Balance at December 31,	$11,966	$15,780	$14,782
Valuation allowance at December 31,	$4,651	$319	$68

At December 31, 2008 we were servicing approximately $1.65 billion in mortgage loans for others on which servicing rights have been capitalized. This servicing portfolio had a weighted average coupon rate of 6.06% and a weighted average service fee of approximately 26 basis points. Remaining capitalized real estate mortgage loan servicing rights at December 31, 2008 totaled $12.0 million, representing approximately 73 basis points on the related amount of real estate mortgage loans serviced for others. The capitalized mortgage loan servicing had an estimated fair market value of $12.2 million at December 31, 2008.

Mutual fund and annuity commissions totaled $2.2 million, $2.1 million and $1.3 million in 2008, 2007 and 2006, respectively. This increase is due to higher sales of these products as a result of growth in the number of our licensed sales representatives. In addition, in 2006 we were moving to more fee-based programs and away from traditional retail investment products that generate higher initial one-time commissions. This transition to fee-based programs had somewhat of an adverse impact on that year's revenues. Because of current economic conditions and the sharp declines in equity markets during 2008, we believe that maintaining these revenues at 2008 levels in 2009 will be challenging.

In August 2002 we acquired $35.0 million in separate account bank owned life insurance on which we earned $2.0 million, $1.8 million and $1.6 million in 2008, 2007 and 2006, respectively, primarily as a result of increases in cash surrender value.

Title insurance fees totaled $1.4 million in 2008, $1.6 million in 2007 and $1.7 million in 2006. The fluctuation in title insurance fees is primarily a function of the level of mortgage loans that we originated.

We ceased operations at First Home Financial ("FHF") (our former mobile home lending subsidiary) on June 15, 2007 and this entity was dissolved on June 30, 2007. As a result, manufactured home loan origination fees and commissions ended in the second half of 2007. (Also see the discussion below under "Non-interest expense" about goodwill impairment charges associated with FHF.)

Other non-interest income totaled $6.1 million, $6.4 million and $6.0 million in 2008, 2007 and 2006, respectively. 2007 included $0.3 million of income from interest rate swap or interest rate cap termination fees.

Non-Interest Expense

Non-interest expense is an important component of our results of operations. Historically, we primarily focused on revenue growth, and while we strive to efficiently manage our cost structure, our non-interest expenses generally increased from year to year because we expanded our operations through acquisitions and by opening new branches and loan production offices. Because of the current challenging economic environment that we are confronting, our expansion through acquisitions or by opening new branches is unlikely in the near term. Further, management is focused on a number of initiatives to reduce and contain non-interest expenses.

Non-interest expense totaled $176.2 million during 2008, compared to $115.7 million and $106.2 million during 2007 and 2006, respectively. 2008 non-interest expense includes $50.0 million goodwill impairment charge as well as elevated loan and collection costs and losses on other real estate and repossessed assets. 2007 non-interest expense includes $1.7 million of severance and other (primarily data processing and legal and professional fees) expenses associated with the aforementioned bank consolidation and staff reductions and $0.3 million of goodwill impairment charges. In addition, the aforementioned branch acquisition resulted in increases in several categories of non- interest expenses in 2008 and 2007 compared to 2006. 2006 non-interest expense includes $3.6 million of goodwill impairment charges and a $2.4 million loss on the write-off of a receivable from a counterparty in Mepco's service contract payment plan business.

NON-INTEREST EXPENSE

	Year ended December 31,		
	2008	2007	2006
		(In thousands)	
Compensation	$40,181	$40,373	$37,597
Performance-based compensation and benefits	4,861	4,979	3,200
Other benefits	10,137	10,459	10,004
Compensation and benefits	55,179	55,811	50,801
Occupancy, net	11,852	10,624	9,626
Furniture, fixtures and equipment	7,074	7,633	7,057
Data processing	7,148	6,957	5,619
Advertising	5,534	5,514	3,997
Loan and collection	9,431	4,949	3,610
Credit card and bank service fees	4,818	3,913	3,839
Communications	4,018	3,809	3,556
Loss on other real estate and repossessed assets	4,349	276	146
Amortization of intangible assets	3,072	3,373	2,423
Supplies	2,030	2,411	2,113
Legal and professional	2,032	1,978	1,853
Deposit Insurance	1,988	628	341
Goodwill impairment	50,020	343	3,575
Loss on receivable from payment plan seller			2,400
Other	7,639	7,505	5,260
Total non-interest expense	$176,184	$115,724	$106,216

The increase in compensation and benefits in 2008 and 2007 compared to 2006 is primarily due to an increased number of employees resulting from the branch acquisition and from managing a much higher level of watch credit and non-performing loans. Further, merit pay increases and higher costs for health care insurance contributed to this rise. Salaries in 2007 also include $1.1 million of severance costs from staff reductions associated with the bank consolidation as well as downsizing initiatives. No executive officer bonuses were paid for 2008 and all executive and senior officer salaries have been frozen at 2008 levels for 2009.

We maintain performance-based compensation plans. In addition to commissions and cash incentive awards, such plans include an employee stock ownership plan and a long-term equity based incentive plan. The amount of expense recognized in 2008 and 2007 for share-based awards under our long-term equity based incentive plan was $0.6 million and $0.3 million, respectively. Since we did not issue any share based awards in 2006, there was no expense in that year.

Occupancy, data processing and communications expenses all generally increased over the periods presented as a result of the growth of the organization from the branch acquisition and the opening of some new branch offices.

Loan and collection expenses primarily reflect collection costs related to non-performing or delinquent loans. The sharp rise in these expenses in 2008 and 2007 reflects the significant increases in non-performing loans.

Loss on other real estate and repossessed assets primarily represents the loss on the sale or additional write downs on these assets subsequent to the transfer of the asset from our loan portfolio. This transfer occurs at the time we acquire the collateral that secured the loan. At the time of acquisition of the real estate or other repossessed asset is valued at fair value, less estimated costs to sell, which becomes the new basis for the asset. Any write-downs at the time of acquisition are charged to the allowance for loan losses. The significant increase in loss on other real estate and repossessed assets in 2008 compared to earlier years is primarily due to declines in the value of these assets subsequent to the acquisition date. These declines in value have been accentuated by the high inventory of foreclosed homes for sale in many of our markets as well as Michigan's weak economic conditions.

Furniture, fixtures and equipment expense has declined in 2008 due in part to cost reduction initiatives. In addition certain fixed assets became fully depreciated in 2008 and were not replaced. The decline in supplies expense during 2008 was due in part to lower business volume relative to 2007 and the aforementioned cost reduction initiatives. The higher levels of these expenses in 2007 primarily reflect the impact of the branch acquisition.

Advertising expense was higher in 2008 and 2007 compared to 2006 due primarily to a rebranding initiative we began in late 2006, additional marketing and promotion we did in the communities that include the aforementioned acquired branches and a rewards program for our VISA check cards that we began in early 2007.

Credit card and bank service fees increased in each year presented primarily due to growth in the number of service contract payment plans being administered by Mepco.

Deposit insurance expense increased in 2008 compared to earlier periods reflecting higher rates and the full utilization of our assessment credits in 2007. We would expect deposit insurance expense to significantly increase again in 2009 due to the higher assessment rates that have been implemented by the FDIC.

The changes in the amortization of intangible assets are due primarily to the branch acquisition and the amortization of the deposit customer relationship value, including core deposit value, that was acquired in this transaction.

During 2008 we recorded a $50.0 million goodwill impairment charge. In the fourth quarter of 2008 we updated our goodwill impairment testing (interim tests had also been performed in the second and third quarters of 2008). Our common stock price dropped even further in the fourth quarter resulting in a wider difference between our market capitalization and book value. The results of the year end goodwill impairment testing showed that the estimated fair value of our bank reporting unit was less than the carrying value of equity which necessitated a step 2 analysis and valuation. Based on the step 2 analysis (which involved determining the fair value of our bank's assets, liabilities and identifiable intangibles) we concluded that goodwill was now impaired, resulting in this $50.0 million charge. The remaining goodwill at year-end of $16.7 million is at our Mepco reporting unit and the testing performed indicated that this goodwill was not impaired. Mepco had net income from continuing operations of $10.7 million and $5.1 million in 2008 and 2007, respectively. Based primarily on Mepco's estimated future earnings, the fair value of this reporting unit (utilizing a discounted cash flow method) was determined to be in excess of its carrying value. A portion of the $50.0 million goodwill impairment charge was tax deductible and $6.3 million tax benefit was recorded related to this charge.

During 2007 we recorded a $0.3 million goodwill impairment charge. This charge related to writing off the remaining goodwill associated with FHF, that was dissolved in June 2007. During 2006 we recorded $3.6 million of goodwill impairment charges. A $2.4 million goodwill impairment charge was recorded at Mepco as a result of a valuation performed to allocate intangibles between the business Mepco retained (administering payment plans for consumers to pay for the purchase of vehicle service contracts over time) and the business that was sold in January 2007 (insurance premium finance business). Approximately $4.4 million of intangibles was allocated to the insurance premium finance business and was included in assets of discontinued operations at December 31, 2006. After this allocation, $19.5 million of intangibles remained at Mepco that were valued at $17.1 million which resulted in the goodwill impairment charge of $2.4 million. In addition, we also recorded a goodwill impairment charge of $1.2 million related to FHF which was acquired in 1998. FHF was a loan origination company based in Grand Rapids, Michigan that specialized in the financing of manufactured homes located in mobile home parks or communities. Revenues and profits had declined at FHF over the last few years (See "Non-Interest Income."). Based on the fair value of FHF the goodwill associated with this entity was reduced from $1.5 million to $0.3 million during 2006. The 2007 and 2006 goodwill impairment charges are not tax deductible, so no income tax benefit is associated with these charges.

In 2006 we recorded a $2.4 million loss which was comprised of a $1.6 million write-off of a portion of a receivable due from one of Mepco's counterparties and $0.8 million in discount for imputed future interest. At that time, the loss reflected our evaluation of the portion of the receivable that would not be collected and the likelihood that the portion of the receivable that would be collected would not include any interest. Since the end of 2006, this counterparty had been making periodic payments on the balance owed to Mepco and an agreement for the repayment of all sums due was reached in March 2007. In December 2008 this counterparty ceased making payments and is now in default under the agreement. The original write-off in 2006 along with subsequent payments collected were adequate so that no additional loss had to be recorded upon the default that occurred in December 2008.

Other non-interest expense increased to $7.6 million in 2008 compared to $7.5 million in 2007 and was $5.3 million in 2006. The increase in 2008 compared to 2007 was primarily due to costs associated with a deferred compensation plan as well as Michigan Business Tax (see discussion below). These increases were partially offset by a 20.4% decrease in directors fees and an 11.2% decrease in travel and entertainment expenses principally resulting from the bank consolidation and other cost savings initiatives. The increase in 2007 compared to 2006 was primarily due to branch and deposit account fraud and criminal related losses and costs related to our bank consolidation.

In July 2007 the State of Michigan replaced its Single Business Tax ("SBT") with a new Michigan Business Tax ("MBT") which became effective in 2008. Financial institutions are subject to an industry-specific tax which is based on net capital. Both the MBT and the SBT are recorded in other non-interest expenses in the Consolidated Statements of Operations. Our MBT expense was $0.2 million in 2008. Our SBT expense was zero in 2007 and a negative $0.1 million in 2006.

Income Tax Expense (Benefit)

Income tax expense for 2008 totaled $3.1 million, an increase of $4.2 million over the same period of 2007. The increase was primarily the result of establishing a valuation allowance of $27.6 million on deferred tax assets, partially offset by the effect of lower pre-tax income.

We are required to assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. We reviewed our deferred tax asset and determined that based upon a number of factors including our declining operating performance since 2005 and our net operating loss in 2008, overall negative trends in the banking industry and our expectation that our operating results will continue to be negatively affected by the overall economic environment, we should establish a valuation allowance for the majority of our net deferred tax asset. In the last quarter of 2008, we recorded a $36.2 million valuation allowance, which consisted of $27.6 million recognized as income tax expense and $8.6 million recognized through the accumulated other comprehensive loss component of shareholders' equity. After the aforementioned valuation allowance, the remaining net deferred tax asset at December 31, 2008 was $6.9 million. This valuation allowance represents our entire net deferred tax asset except for the amount which can be carried back to 2007 and recovered in cash as well as for certain deferred tax assets at Mepco that relate to state income taxes and that can be recovered based on Mepco's individual earnings.

Despite the valuation allowance, these deferred tax assets remain available to offset future taxable income. Our deferred tax assets will be analyzed quarterly for changes affecting the valuation allowance, which may be adjusted in future periods accordingly. In making such judgments, significant weight will be given to evidence that can be objectively verified. We will analyze changes in near-term market conditions and consider both positive and negative evidence as well as other factors which may impact future operating results in making any decision to adjust this valuation allowance.

Our income tax expense (benefit) was $(1.1) million and $11.7 million in 2007 and 2006 respectively. The changes in the overall levels of income taxes in these two years are principally attributed to tax exempt income representing a much higher percentage of pre-tax income from continuing operations in 2007 compared to 2006. Our actual federal income tax expense (benefit) is different than the amount computed by applying our statutory federal income tax rate to our pre-tax income from continuing operations primarily due to tax-exempt interest income and tax-exempt income from the increase in the cash surrender value on life insurance.

Income tax expense in the Consolidated Statement of Operations also includes income taxes in a variety of other states due primarily to Mepco's operations. The amounts of such state income taxes were $1.0 million, $0.4 million and $0.1 million in 2008, 2007, and 2006, respectively.

Discontinued Operations, Net of Tax

On January 15, 2007 we sold substantially all of the assets of Mepco's insurance premium finance business to PFS. We received $176.0 million of cash that was utilized to payoff Brokered CD's and short-term borrowings at Mepco's parent company, Independent Bank. Under the terms of the sale, PFS also assumed approximately $11.7 million in liabilities. In the fourth quarter of 2006, we recorded a loss of $0.2 million and accrued for approximately $1.1 million of expenses related to the disposal of this business which resulted in a total loss from discontinued operations of $0.6 million in 2006. We also allocated $4.1 million of goodwill and $0.3 million of other intangible assets to this business. Revenues and expenses associated with Mepco's insurance premium finance business have been presented as discontinued operations in the Consolidated Statements of Operations. Likewise, the assets and liabilities associated with this business have been reclassified to discontinued operations in the Consolidated Statements of Financial Condition. In 2007 the $0.4 million of income from discontinued operations relates primarily to operations during the first 15 days of January 2007 and the recovery of certain previously charged-off insurance premium finance receivables in 2007.

We have elected to not make any reclassifications in the Consolidated Statements of Cash Flows for discontinued operations. Prior to the December 2006 announced sale, our insurance premium finance business was included in the Mepco segment.

FINANCIAL CONDITION

This section contains discussions of our consolidated financial condition as of (1) September 30, 2009, as compared to December 31, 2008, and (2) December 31, 2008, as compared to December 31, 2007.

September 30, 2009 Compared to December 31, 2008

Summary

Our total assets increased by $5.8 million during the first nine months of 2009 due primarily to a rise in cash and due from banks that was largely offset by a decline in loans. Loans, excluding loans held for sale ("Portfolio Loans"), totaled $2.387 billion at September 30, 2009, down $72.3 million from December 31, 2008. (See "Portfolio Loans and Asset Quality.")

Deposits totaled $2.486 billion at September 30, 2009, compared to $2.066 billion at December 31, 2008. The $419.4 million rise in total deposits during the period is due to increases in checking and savings accounts and brokered certificates of deposit ("Brokered CDs"). Other borrowings totaled $162.3 million at September 30, 2009, a decrease of $379.6 million from December 31, 2008. This decrease reflects the payoff of borrowings from the Federal Reserve Bank or Federal Home Loan Bank of Indianapolis with funds from the aforementioned rise in deposits.

Securities

We maintain diversified securities portfolios, which include obligations of U.S. government-sponsored agencies, securities issued by states and political subdivisions, corporate securities, mortgage-backed securities and asset-backed securities. We also invest in capital securities, which include preferred stocks and trust preferred securities. We regularly evaluate asset/liability management needs and attempt to maintain a portfolio structure that provides sufficient liquidity and cash flow. We believe that the unrealized losses on securities available for sale are temporary in nature and are expected to be recovered within a reasonable time period. We believe that we have the ability to hold securities with unrealized losses to maturity or until such time as the unrealized losses reverse. (See "Asset/Liability Management.")

Securities

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
			(in thousands)	
Securities available for sale				
September 30, 2009	$190,406	$3,704	$10,106	$184,004
December 31, 2008	231,746	3,707	20,041	215,412

Securities available for sale declined during the first nine months of 2009 primarily because maturities and principal payments in the portfolio were not fully replaced with new purchases.

Effective January 1, 2008, we elected to measure the majority of our preferred stock investments at fair value. We recorded a $0.02 million and $0.1 million other than temporary impairment charge on a trust preferred security in the first nine months of 2009 and 2008, respectively.

Sales of securities were as follows (See "Non-Interest Income."):

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
		(in thousands)		
Proceeds	$9,585	$48,529	$36,748	$77,188
Gross gains	$ 91	$ 1,143	$ 2,929	$ 1,873
Gross losses	(23)	(60)	(133)	(67)
Impairment charges		(125)	(17)	(125)
Fair value adjustments	53	(7,669)	991	(9,718)
Net gains (losses)	$ 121	$ (6,711)	$ 3,770	$ (8,037)

Portfolio Loans and Asset Quality

In addition to the communities served by our bank branch network, our principal lending markets also include nearby communities and metropolitan areas. Subject to established underwriting criteria, we also historically participated in commercial lending transactions with certain non-affiliated banks and also purchased mortgage loans from third-party originators. Currently, we are not engaging in any new commercial loan participations with non-affiliated banks or purchasing any mortgage loans from third party originators.

The senior management and board of directors of our bank retain authority and responsibility for credit decisions and we have adopted uniform underwriting standards. Our loan committee structure and the loan review process, attempt to provide requisite controls and promote compliance with such established underwriting standards. There can be no assurance that the aforementioned lending procedures and the use of uniform underwriting standards will prevent us from the possibility of incurring significant credit losses in our lending activities and in fact the provision for loan losses increased in the first nine months of 2009 as well as in 2008 and 2007 from prior historical levels.

We generally retain loans that may be profitably funded within established risk parameters. (See "Asset/Liability Management.") As a result, we may hold adjustable-rate and balloon real estate mortgage loans as Portfolio Loans, while 15- and 30-year, fixed-rate obligations are generally sold to mitigate exposure to changes in interest rates. (See "Non-Interest Income.")

Future growth of overall Portfolio Loans is dependent upon a number of competitive and economic factors. Overall loan growth has slowed during the past two years reflecting both weak economic conditions in Michigan as well as our desire to reduce certain loan categories. Construction and land development loans have been declining recently because we are seeking to shrink this portion of our Portfolio Loans due to a very poor economic climate for real estate development, particularly residential real estate. Declines in Portfolio Loans or competition that leads to lower relative pricing on new Portfolio Loans could adversely impact our future operating results.

Non-Performing Assets

	September 30, 2009	December 31, 2008
	(dollars in thousands)	
Non-accrual loans	$113,003	$122,639
Loans 90 days or more past due and Still accruing interest	4,468	2,626
Total non-performing loans	117,471	125,265
Other real estate	31,323	19,998
Total non-performing assets	$148,794	$145,263
As a percent of Portfolio Loans		
Non-performing loans	4.92%	5.09%
Allowance for loan losses	3.09	2.35
Non-performing assets to total assets	5.02	4.91
Allowance for loan losses as a percent of Non-performing loans	63	46

Non-performing loans have declined by $7.8 million, or 6.2%, since year-end 2008. An increase in non-performing mortgage loans and consumer loans was more than offset by a decline in non-performing commercial loans. The decline in non-performing commercial loans is primarily due to net charge-offs and the payoff or other disposition of non-performing credits during the first nine months of 2009. Non-performing commercial loans largely reflect real estate-secured credit delinquencies caused primarily by cash flow difficulties encountered by real estate developers in Michigan as they confront a significant decline in sales. The elevated level of non-performing residential mortgage loans is primarily due to a rise in delinquencies and foreclosures reflecting both weak economic conditions and soft residential real estate values in many parts of Michigan.

Other real estate ("ORE") and repossessed assets totaled $31.3 million at September 30, 2009, compared to $20.0 million at December 31, 2008. This increase is the result of the migration of non-performing loans secured by real estate into ORE as the foreclosure process is completed and any redemption period expires. Higher foreclosure rates are evident nationwide, but Michigan has consistently had one of the higher foreclosure rates in the U.S. during the past year. We believe that this higher foreclosure rate is due to both weak economic conditions (Michigan has the highest unemployment rate in the U.S.) and declining residential real estate values (which has eroded or eliminated the equity that many mortgagors had in their home). Because the redemption period on foreclosures is relatively long in Michigan (six months to one year) and we have many non-performing loans that were in the process of foreclosure at September 30, 2009, we anticipate that our level of other real estate and repossessed assets will continue to rise during 2009 and will likely remain at elevated levels for some period of time. A high level of non-performing assets would be expected to adversely impact our tax equivalent net interest income.

We will place a loan that is 90 days or more past due on non-accrual, unless we believe the loan is both well secured and in the process of collection. Accordingly, we have determined that the collection of the accrued and unpaid interest on any loans that are 90 days or more past due and still accruing interest is probable.

The ratio of loan net charge-offs to average loans was 3.41% on an annualized basis in the first nine-months of 2009 (or $62.4 million) compared to 1.85% in the first nine-months of 2008 (or $35.4 million). The rise in loan net charge-offs primarily reflects increases of $17.7 million for commercial loans and $7.9 million for residential mortgage loans. These increases in loan net charge-offs primarily reflect higher levels of non-performing assets and lower collateral liquidation values, particularly on residential real estate or real estate held for development. We do not believe that the elevated level of total loan net charge-offs in the first nine months of 2009 is indicative of what we will experience during the balance of 2009 and beyond. 2009 loan net charge-offs have declined sequentially in each of the first three quarters from $29.7 million in the first quarter to $18.7 million in the second quarter and to $14.0 million in the third quarter. The majority of the loan net charge-offs in the first part of 2009 related to commercial loans and in particular several land or land development loans (due to significant drops in real estate values) and one large commercial credit (which defaulted in March 2009). Land and land development loans now total just $63.3 million (or 2.1% of total assets) and approximately 58% of these loans are already in non-performing or watch credit status and the entire portfolio has been carefully evaluated and an appropriate allowance or charge-off has been recorded. Further, the commercial loan portfolio is thoroughly analyzed each quarter through our credit review process and an appropriate allowance and provision for loan losses is recorded based on such review and in light of prevailing market conditions.

Allowance for Loan Losses

	Nine months ended September 30,			
	2009		2008	
	Loans	Unfunded Commitments	Loans	Unfunded Commitments
	(in thousands)			
Balance at beginning of period	$57,900	$2,144	$45,294	$1,936
Additions (deduction)				
Provision charged to operating expense	78,208	(292)	44,039	(583)
Recoveries credited to allowance	2,130		2,707	
Loans charged against the allowance	(64,528)		(38,142)	
Balance at end of period	$73,710	$1,852	$53,898	$1,353
Net loans charged against the allowance to Average Portfolio Loans (annualized)	3.41%		1.85%	

In determining the allowance and the related provision for credit losses, we consider four principal elements: (i) specific allocations based upon probable losses identified during the review of the loan portfolio, (ii) allocations established for other adversely rated loans, (iii) allocations based principally on historical loan loss experience, and (iv) additional allowances based on subjective factors, including local and general economic business factors and trends, portfolio concentrations and changes in the size, mix and/or the general terms of the loan portfolios.

The first element reflects our estimate of probable losses based upon our systematic review of specific loans. These estimates are based upon a number of objective factors, such as payment history, financial condition of the borrower, and discounted collateral exposure.

The second element reflects the application of our loan rating system. This rating system is similar to those employed by state and federal banking regulators. Loans that are rated below a certain predetermined classification are assigned a loss allocation factor for each loan classification category that is based upon a historical analysis of both the probability of default and the expected loss rate ("loss given default"). The lower the rating assigned to a loan or category, the greater the allocation percentage that is applied. For higher rated loans ("non-watch credit") we again determine a probability of default and loss given default in order to apply an allocation percentage.

The third element is determined by assigning allocations to homogeneous loan groups based principally upon the five-year average of loss experience for each type of loan. Recent years are weighted more heavily in this average. Average losses may be further adjusted based on an analysis of delinquent loans. Loss analyses are conducted at least annually.

The fourth element is based on factors that cannot be associated with a specific credit or loan category and reflects our attempt to ensure that the overall allowance for loan losses appropriately reflects a margin for the imprecision necessarily inherent in the estimates of expected credit losses. We consider a number of subjective factors when determining the unallocated portion, including local and general economic business factors and trends, portfolio concentrations and changes in the size, mix and the general terms of the loan portfolios. (See "Provision for Credit Losses.")

Mepco's allowance for loan losses is determined in a similar manner as discussed above and primarily takes into account historical loss experience and other subjective factors deemed relevant to their business as described in greater detail below.

Losses associated with the administration of the payment plan are included in the provision for loan losses. For the first nine months of 2009 and 2008, such losses totaled $0.3 million and $0.1 million, respectively. Mepco's allowance for loan losses totaled $0.8 million and $0.5 million at September 30, 2009 and December 31, 2008, respectively. Mepco has established procedures for payment plan servicing/administration and collections, including the timely cancellation of the vehicle service contract, in order to protect our collateral position in the event of payment default or voluntary cancellation by the customer. Mepco also has established procedures to attempt to prevent and detect fraud since the payment plan origination activities and initial customer contact is entirely done through unrelated third parties (vehicle service contract administrators and sellers or automobile dealerships). There can be no assurance that the aforementioned risk management policies and procedures will prevent us from the possibility of incurring significant credit or fraud related losses in this business segment.

The allowance for loan losses increased to 3.09% of total Portfolio Loans at September 30, 2009 from 2.35% at December 31, 2008. This increase is primarily due to increases in all of the components of the allowance for loan losses outlined above. The allowance for loan losses related to specific loans increased due to some larger reserves on some individual credits even though total non-performing commercial loans have declined since year end 2008. The allowance for loan losses related to other adversely rated loans increased primarily due to changes in the mix of commercial loan ratings. The allowance for loan losses related to historical losses increased due to higher loan net charge-offs. Finally, the allowance for loan losses related to subjective factors increased primarily due to weaker economic conditions in Michigan that have contributed to elevated levels of non-performing loans and net loan charge-offs.

Allocation of the Allowance for Loan Losses

	September 30, 2009	December 31, 2008
	(in thousands)	
Specific allocations	$22,940	$16,788
Other adversely rated loans	13,791	9,511
Historical loss allocations	22,775	20,270
Additional allocations based on subjective factors	14,204	11,331
	$73,710	$57,900

We took a variety of steps beginning in 2007 to address the credit issues identified above (elevated levels of watch credits, non-performing loans and other real estate and repossessed assets), including the following:

- An enhanced quarterly watch credit review process to proactively manage higher risk loans.

- Loan risk ratings are independently assigned and structure recommendations made upfront by our credit officers.

- A Special Assets Group has been established to provide more effective management of our most troubled loans. A select group of law firms supports this team, providing professional advice and systemic feedback.

- An independent loan review function provides portfolio/individual loan feedback to evaluate the effectiveness of processes by market.

- Management (incentive) objectives for each commercial lender and senior commercial lender emphasize credit quality in addition to growth and profitability.

- Portfolio concentrations are monitored with select loan types encouraged and other loan types (such as residential real estate development) requiring significantly higher approval authorities.

Deposits and Borrowings

Our competitive position within many of the markets served by our branch network limits our ability to materially increase deposits without adversely impacting the weighted-average cost of core deposits. Accordingly, we principally compete on the basis of convenience and personal service, while employing pricing tactics that are intended to enhance the value of core deposits.

To attract new core deposits, we have implemented a high-performance checking program that utilizes a combination of direct mail solicitations, in-branch merchandising, gifts for customers opening new checking accounts or referring business to our bank and branch staff sales training. This program has historically generated increases in customer relationships as well as deposit service charges. Over the past two to three years we have also expanded our treasury management products and services for commercial businesses and municipalities or other governmental units and have also increased our sales calling efforts in order to attract additional deposit relationships from these sectors. Despite these efforts our historic core deposit growth has not kept pace with the historic growth of our Portfolio Loans. We view long-term core deposit growth as a significant challenge. Core deposits generally provide a more stable and lower cost source of funds than alternative sources such as short-term borrowings. As a result, the continued funding of Portfolio Loans with alternative sources of funds (as opposed to core deposits) may erode certain of our profitability measures, such as return on assets, and may also adversely impact our liquidity. (See "Liquidity and Capital Resources.")

We have also implemented strategies that incorporate federal funds purchased, other borrowings and Brokered CDs to fund a portion of any increases in interest earning assets. The use of such alternate sources of funds supplements our core deposits and is also an integral part of our asset/liability management efforts.

Alternative Sources of Funds

	September 30, 2009			December 31, 2008		
	Amount	Average Maturity	Rate	Amount	Average Maturity	Rate
	(dollars in thousands)					
Brokered CDs[1]	$529,521	1.8 years	2.31%	$182,283	1.1 years	3.63%
Fixed rate FHLB advances	124,454	2.2 years	2.54	314,214	2.3 years	3.49
Securities sold under agreements to Repurchase	35,000	1.1 years	4.42	35,000	1.9 years	4.42
FRB Discount borrowing				189,500	.1 years	0.54
Federal funds purchased				750	1 day	0.25
Total	$688,975	1.8 years	2.46%	$721,747	1.4 years	2.80%

(1) Brokered CDs in the amount of $271.2 million and $25.0 million at September 30, 2009 and December 31, 2008, respectively, are callable from time to time at our option through their maturity dates.

Other borrowed funds, principally advances from the Federal Home Loan Bank (the "FHLB"), borrowings from the Federal Reserve Bank (the "FRB") and securities sold under agreements to repurchase ("Repurchase Agreements"), totaled $162.3 million at September 30, 2009, compared to $542.0 million at December 31, 2008. The $379.6 million decrease in other borrowed funds principally reflects the payoff of borrowings from the FRB and FHLB with funds from new Brokered CDs or from the growth in other deposits. The increase in Brokered CDs and use of these funds to pay off borrowings from the FRB and FHLB is designed to improve our liquidity profile. The Brokered CDs that we are issuing do not require any collateral and have longer maturity dates (generally two to five years). By paying off FRB and FHLB borrowings (which do require collateral), we increase our secured borrowing capacity.

Derivative financial instruments are employed to manage our exposure to changes in interest rates. (See "Asset/Liability Management.") At September 30, 2009, we employed interest-rate swaps with an aggregate notional amount of $160.0 million and interest rate caps with an aggregate notional amount of $116.0 million.

Liquidity and Capital Resources

Liquidity risk is the risk of being unable to timely meet obligations as they come due at a reasonable funding cost or without incurring unacceptable losses. Our liquidity management involves the measurement and monitoring of a variety of sources and uses of funds. Our Consolidated Statements of Cash Flows categorize these sources and uses into operating, investing and financing activities. We primarily focus our liquidity management on developing access to a variety of borrowing sources to supplement our deposit gathering activities and provide funds for growing our investment and loan portfolios as well as to be able to respond to unforeseen liquidity needs.

Our sources of funds include our deposit base, secured advances from the FHLB, secured borrowings from the FRB, a federal funds purchased borrowing facility with another commercial bank, and access to the capital markets (for Brokered CDs).

At September 30, 2009 we had $547.6 million of time deposits that mature in the next twelve months. Historically, a majority of these maturing time deposits are renewed by our customers or are Brokered CDs that we expect to replace. Additionally $1.402 billion of our deposits at September 30, 2009 were in account types from which the customer could withdraw the funds on demand. Changes in the balances of deposits that can be withdrawn upon demand are usually predictable and the total balances of these accounts have generally grown or have been stable over time as a result of our marketing and promotional activities. There can be no assurance that historical patterns of renewing time deposits or overall growth in deposits will continue in the future.

In particular, media reports about bank failures have created concerns among depositors at banks throughout the country, including certain of our customers, particularly those with deposit balances in excess of deposit insurance limits. In response, the FDIC announced several programs during 2008 including increasing the deposit insurance limit from $100,000 to $250,000 at least until December 31, 2013 and providing unlimited deposit insurance for balances in non-interest bearing demand deposit and certain low-interest (an interest rate of 0.50% or less) transaction accounts until June 30, 2010. We have proactively sought to provide appropriate information to our deposit customers about our organization in order to retain our business and deposit relationships. Despite these moves by the FDIC and our proactive communications efforts, the potential outflow of deposits remains as a significant liquidity risk, particularly since our recent losses and our elevated level of non-performing assets have reduced some of the financial ratings of our bank that are followed by our larger deposit customers, such as municipalities. The outflow of significant amounts of deposits could have an adverse impact on our liquidity and results of operations.

We have developed contingency funding plans that stress tests our liquidity needs that may arise from certain events such as an adverse credit event or a disaster recovery situation. Our liquidity management also includes periodic monitoring that segregates assets between liquid and illiquid and classifies liabilities as core and non-core. This analysis compares our total level of illiquid assets to our core funding. It is our goal to have core funding sufficient to finance illiquid assets.

Effective management of capital resources is critical to our mission to create value for our shareholders. The cost of capital is an important factor in creating shareholder value and, accordingly, our capital structure includes cumulative trust preferred securities and cumulative preferred stock.

We have four special purpose entities that have issued $90.1 million of cumulative trust preferred securities outside of Independent Bank Corporation. Currently $54.5 million of these securities qualify as Tier 1 capital and the balance qualify as Tier 2 capital. These entities have also issued common securities and capital to Independent Bank Corporation. Independent Bank Corporation, in turn, issued subordinated debentures to these special purpose entities equal to the trust preferred securities, common securities and capital issued. The subordinated debentures represent the sole asset of the special purpose entities. The common securities, capital and subordinated debentures are included in our Consolidated Statements of Financial Condition at September 30, 2009 and December 31, 2008.

In March 2006, the Federal Reserve Board issued a final rule that retains trust preferred securities in the Tier 1 capital of bank holding companies. After a transition period that originally was going to end on March 31, 2009 but that has recently been extended an additional two years (to March 31, 2011), the aggregate amount of trust preferred securities and certain other capital elements will be limited to 25 percent of Tier 1 capital elements, net of goodwill (net of any associated deferred tax liability). The amount of trust preferred securities and certain other elements in excess of the limit could be included in the Tier 2 capital, subject to restrictions. Based upon our existing levels of Tier 1 capital, trust preferred securities and goodwill, this final Federal Reserve Board rule would have reduced our Tier 1 capital to average assets ratio by approximately 28 basis points at September 30, 2009, (this calculation assumes no transition period).

In December 2008, we issued 72,000 shares of Series A, no par value, $1,000 liquidation preference, fixed rate cumulative perpetual preferred stock and a warrant to purchase 3,461,538 shares (at $3.12 per share) of our common stock to the Treasury in return for $72.0 million under the Capital Purchase Program (CPP) component of the Troubled Asset Relief Program (TARP). Of the total proceeds, $68.4 million was originally allocated to the preferred stock and $3.6 million was allocated to the warrant (included in capital surplus) based on the relative fair value of each. The $3.6 million discount on the preferred stock is being accreted using an effective yield method over five years. The accretion is being recorded as part of the preferred stock dividend.

The preferred stock pays a quarterly, cumulative cash dividend at a rate of 5% per annum on the $1,000 liquidation preference to, but excluding February 15, 2014 and at a rate of 9% per annum thereafter. We are subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. Prior to December 12, 2011, even if we are current on the payment of dividends on the preferred stock, we may not do either of the following without the prior written consent of the Treasury: (a) pay cash dividends on our common stock to shareholders of more than $0.01 per share per quarter, as adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction; or (b) repurchase any of our common stock or redeem any of our trust preferred securities, other than certain excepted redemptions of common stock in connection with the administration of employee benefit plans in the ordinary course of business and consistent with past practice. These restrictions described in the preceding sentence expire in the event we redeem all shares of preferred stock or in the event the Treasury transfers all of its shares of preferred stock to an unaffiliated transferee. Holders of shares of the preferred stock have no right to exchange or convert such shares into any other securities of Independent Bank Corporation.

The annual 5% dividend on the preferred stock together with the amortization of the discount will reduce net income (or increase the net loss) applicable to common stock by approximately $4.3 million annually. In addition, the exercise price on the warrant of $3.12 per share is presently below our book value per share (but above our tangible book value per share). If our market value per share exceeds the warrant price, our diluted earnings per share will be reduced. Further, the exercise of the warrant would be dilutive to our current book value per share.

Beginning in December of 2009, we elected to defer regularly scheduled quarterly interest payments on our junior subordinated debentures and quarterly dividend payments on our preferred stock. The debentures are owned by IBC Capital Finance II, III and IV and Midwest Guaranty Trust I (the "Trusts") and were funded by the Trusts' issuance of the above referenced cumulative trust preferred securities. The preferred stock was issued to the Treasury under the TARP CPP. The total estimated annual interest and dividends that would be payable on the debentures (and the underlying trust preferred securities) and the preferred stock, if not deferred, is approximately $9.0 million based on current interest rates.

The terms of the debentures and the trust indentures allow us to defer payment of interest on the trust preferred securities at any time or from time to time for up to 20 consecutive quarters provided no event of default (as defined in the indentures) has occurred and is continuing. We are not in default with respect to the indentures, and the deferral of interest does not constitute an event of default under the indentures. While we defer the payment of interest, we will continue to accrue the interest expense owed at the applicable interest rate. Upon the expiration of the deferral, all accrued and unpaid interest is due and payable.

So long as any shares of preferred stock remain outstanding, unless all accrued and unpaid dividends for all prior dividend periods have been paid or are contemporaneously declared and paid in full, (a) no dividend whatsoever may be paid or declared on our common stock or other junior stock, other than a dividend payable solely in common stock and other than certain dividends or distributions of rights in connection with a shareholders' rights plan; and (b) neither we nor any of our subsidiaries may purchase, redeem or otherwise acquire for consideration any shares of our common stock or other junior stock unless we have paid in full all accrued dividends on the preferred stock for all prior dividend periods, other than purchases, redemptions or other acquisitions of our common stock or other junior stock in connection with the administration of its employee benefit plans in the ordinary course of business and consistent with past practice; pursuant to a publicly announced repurchase plan up to the increase in diluted shares outstanding resulting from the grant, vesting or exercise of equity-based compensation; any dividends or distributions of rights or junior stock in connection with any shareholders' rights plan, redemptions or repurchases of rights pursuant to any shareholders' rights plan; acquisition of record ownership of common stock or other junior stock or parity stock for the beneficial ownership of any other person who is not us or one of our subsidiaries, including as trustee or custodian; and the exchange or conversion of common stock or other junior stock for or into other junior stock or of parity stock for or into other parity stock or junior stock but only to the extent that such acquisition is required pursuant to binding contractual agreements entered into before December 12, 2008 or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for common stock.

During the deferral period on the debentures and preferred stock, we may not declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of our capital stock. Suspension of the common stock dividend will conserve an additional $1.0 million on an annualized basis. We paid the previously announced and declared common stock cash dividend of one cent per share on October 30, 2009 but all future dividends will be suspended so long as interest and dividend payments on the debentures and preferred stock are being deferred.

To supplement our balance sheet and capital management activities, we historically would repurchase our common stock. The level of share repurchases in a given time period generally reflected changes in our need for capital associated with our balance sheet growth and our level of earnings. The only share repurchases currently being executed are for our deferred compensation and stock purchase plan for non-employee directors. Such repurchases are funded by the director deferring a portion of his or her fees.

Shareholders' equity applicable to common stock declined to $89.4 million at September 30, 2009 from $126.4 million at December 31, 2008. Our tangible common equity ("TCE") totaled $61.8 million and $97.5 million, respectively, at those same dates. Our ratio of TCE to tangible assets was 2.11% at September 30, 2009 compared to 3.33% at December 31, 2008. We are pursuing various alternatives in order to increase our TCE and regulatory capital ratios. Although our regulatory capital ratios remain at levels above "well capitalized" standards, because of: (a) the losses that we have incurred in recent quarters; (b) our elevated levels of non-performing loans and other real estate; and (c) the ongoing economic stress in Michigan, we have taken or may take the following actions to improve our regulatory capital ratios and preserve liquidity at our holding company level:

- Eliminated our cash dividend on our common stock;
- Deferred the dividends on our preferred stock;
- Deferred the dividends on our debentures and the related trust preferred securities;
- Seek to convert some or all of our preferred stock and/or the trust preferred securities into common equity; and
- Attempt to raise additional capital, including the possibility of a significant and large issuance of common stock, which could be highly dilutive to our existing shareholders.

These initiatives are described in more detail elsewhere in this prospectus, including under "Recent Developments" beginning on page 41 above.

The actions taken with respect to the payment of dividends on our capital instruments as described above will preserve cash at our bank holding company as we do not expect our bank subsidiary to be able to pay any cash dividends in the near term. Although there are no specific regulations restricting dividend payments by bank holding companies (other than State corporate laws) the FRB (our primary federal regulator) has issued a policy statement on cash dividend payments. The FRB's view is that: "an organization experiencing earnings weaknesses or other financial pressures should not maintain a level of cash dividends that exceeds its net income, that is inconsistent with the organization's capital position, or that can only be funded in ways that may weaken the organization's financial health." Although the FRB has not sought to restrict or limit the dividends that we have been paying on our capital instruments, our Board of Directors believed that it was in the best long-term interests of our shareholders to take the actions described above.

Capitalization

	September 30, 2009	December 31, 2008
	(in thousands)	
Subordinated debentures	$ 92,888	$ 92,888
Amount not qualifying as regulatory capital	(2,788)	(2,788)
Amount qualifying as regulatory capital	90,100	90,100
Shareholders' Equity		
Preferred stock, Series A, no par value	68,982	68,456
Common stock, par value $1.00 per share	23,832	22,791
Capital surplus	201,360	200,687
Accumulated deficit	(119,868)	(73,849)
Accumulated other comprehensive loss	(15,965)	(23,208)
Total shareholders' equity	158,341	194,877
Total capitalization	$248,441	$284,977

Total shareholders' equity at September 30, 2009 decreased $36.5 million from December 31, 2008, due primarily to our year-to-date 2009 net loss. Shareholders' equity totaled $158.3 million, equal to 5.35% of total assets at September 30, 2009. At December 31, 2008, shareholders' equity was $194.9 million, which was equal to 6.59% of total assets.

Our bank subsidiary remains "well capitalized" (as defined by banking regulations) at September 30, 2009.

Bank Capital Ratios

	September 30, 2009	December 31, 2008	Minimum Ratio for Adequately Capitalized Institutions	Minimum Ratio for Well Capitalized Institutions
Tier 1 capital to average assets	7.32%	8.25%	4.00%	5.00%
Tier 1 risk-based capital	9.41	10.62	4.00	6.00
Total risk-based capital	10.68	11.91	8.00	10.00

Asset/Liability Management

Interest-rate risk is created by differences in the cash flow characteristics of our assets and liabilities. Options embedded in certain financial instruments, including caps on adjustable-rate loans as well as borrowers' rights to prepay fixed-rate loans also create interest-rate risk.

Our asset/liability management efforts identify and evaluate opportunities to structure the balance sheet in a manner that is consistent with our mission to maintain profitable financial leverage within established risk parameters. We evaluate various opportunities and alternate balance-sheet strategies carefully and consider the likely impact on our risk profile as well as the anticipated contribution to earnings. The marginal cost of funds is a principal consideration in the implementation of our balance-sheet management strategies, but such evaluations further consider interest-rate and liquidity risk as well as other pertinent factors. We have established parameters for interest-rate risk. We regularly monitor our interest-rate risk and report at least quarterly to our board of directors.

We employ simulation analyses to monitor our interest-rate risk profile and evaluate potential changes in our net interest income and market value of portfolio equity that result from changes in interest rates. The purpose of these simulations is to identify sources of interest-rate risk inherent in our balance sheet. The simulations do not anticipate any actions that we might initiate in response to changes in interest rates and, accordingly, the simulations do not provide a reliable forecast of anticipated results. The simulations are predicated on immediate, permanent and parallel shifts in interest rates and generally assume that current loan and deposit pricing relationships remain constant. The simulations further incorporate assumptions relating to changes in customer behavior, including changes in prepayment rates on certain assets and liabilities.

Changes in Market Value of Portfolio Equity and Tax Equivalent Net Interest

Change in Interest Rates	Market Value Of Portfolio Equity(1)	Percent Change	Tax Equivalent Net Interest Income(2)	Perc
		(Dollars in thousands)		
September 30, 2009				

200 basis point rise	170,100	8.34%	141,900
100 basis point rise	165,800	5.61	141,000
Base-rate scenario	157,000		141,800
100 basis point decline	150,000	(4.46)	141,700
200 basis point decline	152,200	(3.06)	140,100
December 31, 2008			
200 basis point rise	$202,900	(2.50)%	$129,700
100 basis point rise	206,500	(0.77)	132,500
Base-rate scenario	208,100		135,900
100 basis point decline	204,600	(1.68)	137,900
200 basis point decline	192,400	(7.54)	134,400

(1) Simulation analyses calculate the change in the net present value of our assets and liabilities, including debt and related financial derivative instruments, under parallel shifts in interest rates by discounting the estimated future cash flows using a market-based discount rate. Cash flow estimates incorporate anticipated changes in prepayment speeds and other embedded options.

(2) Simulation analyses calculate the change in net interest income under immediate parallel shifts in interest rates over the next twelve months, based upon a static balance sheet, which includes debt and related financial derivative instruments, and do not consider loan fees.

December 31, 2008 Compared to December 31, 2007

Summary

Our total assets declined to $2.96 billion at December 31, 2008, from $3.25 billion at December 31, 2007. The decline in total assets primarily reflects a $148.8 million decrease in securities available for sale and a $50.0 million decrease in goodwill. Portfolio Loans decreased $58.8 million in 2008 as every category of loans declined except for finance receivables. Total deposits decreased by $438.6 million in 2008 principally as a result of a decrease in Brokered CD's. Other borrowings increased by $239.4 million in 2008 as maturing or callable brokered CD's were replaced with lower costing borrowings from the FRB or FHLB.

Securities

We maintain diversified securities portfolios, which include obligations of the U.S. government-sponsored agencies, securities issued by states and political subdivisions, corporate securities, mortgage-backed securities and asset-backed securities. We also invest in capital securities, which include preferred stocks and trust preferred securities. We regularly evaluate asset/liability management needs and attempt to maintain a portfolio structure that provides sufficient liquidity and cash flow.

Securities available for sale declined during 2008 because maturities and principal payments in the portfolio were not replaced with new purchases. We also sold municipal securities during 2008 primarily to reduce total assets in order to improve our capital ratios. In addition, on January 1, 2008 we transferred $15.0 million of preferred stock investments from available for sale securities to trading securities.

As discussed earlier, we elected effective January 1, 2008, to measure the majority of our preferred stock investments at fair value pursuant. During 2008 we recorded unrealized net losses on securities of $2.8 million related to the decline in fair value of the preferred stocks that were still being held at year end. We also recorded realized net losses of $7.6 million on the sale of several of these preferred stocks. (See "Non-Interest Income.") At year end we had $1.9 million (fair value) of trading securities remaining.

We recorded other than temporary impairment charges on securities of $0.2 million and $1.0 million in 2008 and 2007, respectively. We did not record any such charges in 2006. The 2008 impairment charge relates to a trust preferred security we own that was issued by a small Michigan-based community bank. In 2007, we recorded $1.0 million of impairment charges on Fannie Mae and Freddie Mac preferred securities. In these instances we believe that the decline in value is directly due to matters other than changes in interest rates, are not expected to be recovered within a reasonable timeframe based upon available information and are therefore other than temporary in nature. (See "Non-Interest Income" and "Asset/Liability Management.") In addition, in the fourth quarter of 2008 we recorded a write down of $6.2 million (from a par value of $10.0 million to a fair value of $3.8 million) related to the dissolution of a money-market auction rate security and the distribution of the underlying Bank of America preferred stock.

SECURITIES

		Unrealized		
	Amortized Cost	**Gains**	**Losses**	**Fair Value**
		(In thousands)		
Securities available for sale				
December 31, 2008	$231,746	$3,707	$20,041	$215,412
December 31, 2007	363,237	6,013	5,056	364,194
December 31, 2006	430,262	7,367	2,844	434,785

We evaluate securities for other than temporary impairment at least quarterly and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition of the issuer, including review of recent credit ratings, and our ability and intent to retain the investment for a period of time sufficient to allow for any anticipated recovery of fair value.

We have 45 mortgage-backed and other asset backed securities whose fair market value is less than amortized cost. These securities include both agency and private label mortgage-backed securities. The unrealized losses are largely attributed to credit spread widening on these securities. We have satisfactory relationships between non-performing assets and subordination levels in each security and continue to receive principal reductions. All of the issues are rated by a major rating agency as investment grade. As management has the ability and intent to hold these securities until their forecasted recovery, no declines are deemed to be other than temporary.

We have 118 municipal securities whose fair market value is less than amortized cost. The unrealized losses are largely attributed to a widening of market spreads and continued illiquidity for certain issues. The majority of the securities are rated by a major rating agency as investment grade. As management has the ability and intent to hold these securities until their forecasted recovery, no declines are deemed to be other than temporary.

We have eight trust preferred securities whose fair market value is less than amortized cost. There were no credit issues relating to these securities. Pricing of trust preferred securities has suffered from credit spread widening fueled by uncertainty regarding potential losses of financial companies, the absence of a liquid functioning secondary market and potential supply concerns from financial companies issuing new debt to recapitalize themselves. Six of the eight securities are rated by a major rating agency as investment grade while the other two are non-rated. As management has the ability and intent to hold these securities until their forecasted recovery, no declines are deemed to be other than temporary.

Portfolio Loans and Asset Quality

LOAN PORTFOLIO COMPOSITION

	December 31, 2008	December 31, 2007
	(In thousands)	
Real estate (1)		
Residential first mortgages	$760,201	$758,500
Residential home equity and other junior mortgages	229,865	239,965
Construction and land development	127,092	229,638
Other (2)	666,876	691,505
Finance receivables	286,836	209,631
Commercial	207,516	199,659
Consumer	171,747	178,622
Agricultural	9,396	10,810
Total loans	$2,459,529	$2,518,330

(1) Includes both residential and non-residential commercial loans secured by real estate.

(2) Includes loans secured by multi-family residential and non-farm, non-residential property.

Overall loan growth has slowed during the past two years reflecting both weak economic conditions in Michigan as well as a generally competitive pricing climate. However, finance receivables (service contract payment plans) have been growing. This growth reflects both increased sales efforts as well as our ability to focus solely on this line of business at Mepco because of the sale of our insurance premium finance business in January 2007. Construction and land development loans have been declining as we are seeking to shrink this portion of our Portfolio Loans due to a very poor economic climate for real estate development, particularly residential real estate. Further declines in Portfolio Loans or competition that leads to lower relative pricing on new Portfolio Loans could adversely impact our future operating results. We continue to view loan growth consistent with established quality and profitability standards as a major short and long-term challenge.

	December 31,		
	2008	2007	2006
	(Dollars in thousands)		
Non-accrual loans	$122,639	$72,682	$35,683
Loans 90 days or more past due and still accruing interest	2,626	4,394	3,479
Restructured loans		173	60
Total non-performing loans	125,265	77,249	39,222
Other real estate and repossessed assets	19,998	9,723	3,153
Total non-performing assets	$145,263	$86,972	$42,375
As a percent of Portfolio Loans			
Non-performing loans	5.09%	3.07%	1.59 %
Allowance for loan losses	2.35	1.80	1.09
Non-performing assets to total assets	4.91	2.68	1.24
Allowance for loan losses as a percent of non-performing loans	46	59	69

Non-performing loans totaled $125.3 million at December 31, 2008, a $48.0 million increase from December 31, 2007. The increase in non-performing loans since year-end 2007 is due primarily to an increase in non-performing commercial loan estate loans and residential mortgage loans. The rise in non-performing commercial real estate loans is primarily the result of several additional credits with real estate developers becoming past due in 2008. These delinquencies largely reflect cash flow difficulties encountered by many real estate developers in Michigan as they confront a significant decline in sales of real estate. Since the beginning of 2007 the land, land development, and construction components of our commercial loan portfolio have declined by a total of 43%, and now represent less than 5% of total assets. The elevated level of non-performing residential mortgage loans is primarily due to a rise in delinquencies, bankruptcies, and foreclosures reflecting both weak economic conditions and soft residential real estate values in many parts of Michigan.

Other real estate and repossessed assets totaled $20.0 million at December 31, 2008 compared to $9.7 million at December 31, 2007. At these same dates, commercial real estate properties comprised $12.0 million and $2.6 million of these amounts, respectively while the balance was comprised primarily of residential real estate. This increase is the result of the migration of non-performing loans secured by real estate into ORE as the foreclosure process is completed and any redemption period expires. Higher foreclosure rates are evident nationwide, but Michigan has consistently had one of the highest foreclosure rates in the U.S. during the past year. We believe that this higher foreclosure rate is due to both weak economic conditions (Michigan has one of the highest unemployment rates in the U.S.) and declining residential real estate values (which has eroded or eliminated the equity that many mortgagors had in their home). Because the redemption period on foreclosures is relatively long in Michigan (six months to one year) and we have many non-performing loans that were in the process of foreclosure at December 31, 2008, we anticipate that our level of other real estate and repossessed assets will continue to rise during 2009 and will likely remain at elevated levels for some period of time. A high level of non-performing assets will also adversely impact our tax equivalent net interest income.

We will place a loan that is 90 days or more past due on non-accrual, unless we believe the loan is both well secured and in the process of collection. Accordingly, we have determined that the collection of the accrued and unpaid interest on any loans that are 90 days or more past due and still accruing interest is probable.

ALLOCATION OF THE ALLOWANCE FOR

		December 31,	
	2008	**2007**	**2006**
		(In thousands)	
Specific allocations	$16,788	$10,713	$2,631
Other adversely rated loans	9,511	10,804	5,144
Historical loss allocations	20,270	14,668	11,641
Additional allocations based on subjective factors	11,331	9,109	7,463
Total	$57,900	$45,294	$26,879

The allowance for loan losses increased to 2.35% of total Portfolio Loans at December 31, 2008 from 1.80% at December 31, 2007. This increase is primarily due to increases in three of the four components of the allowance for loan losses outlined in the table above. The allowance for loan losses related to specific loans increased due to the rise in non-performing loans described earlier. The allowance for loan losses related to other adversely rated loans decreased primarily due to the migration of certain adversely rated loans into the specific allocations category. The allowance for loan losses related to historical losses increased due primarily to higher loss rates that were partially offset by a decline in loans outstanding. Finally, the allowance for loan losses related to subjective factors increased primarily due to weaker economic conditions in Michigan that have contributed to higher levels of non-performing loans and net loan charge-offs.

Losses associated with Mepco's administration of payment plans (finance receivables) are included in the provision for loan losses. Such losses totaled $1.0 million, zero and $2.4 million in 2008, 2007 and 2006, respectively. Mepco's allowance for loan losses totaled $0.04 million and $0.4 million at December 31, 2008 and December 31, 2007, respectively. Mepco has established procedures for payment plan servicing/administration and collections, including the timely cancellation of the vehicle service contract, in order to protect our collateral position in the event of payment default or voluntary cancellation by the customer. Mepco also has established procedures to attempt to prevent and detect fraud since the payment plan origination activities and initial customer contact is entirely done through unrelated third parties (vehicle service contract administrators and sellers or automobile dealerships). There can be no assurance that the aforementioned risk management policies and procedures will prevent us from the possibility of incurring significant credit or fraud related losses in this business segment.

ALLOWANCES FOR LOSSES ON LOANS AND UNFUNDED COMMITMENTS

	2008		2007		2006	
	Loan Losses	Unfunded Commitments	Loan Losses	Unfunded Commitments	Loan Losses	Unfunded Commitments
			(In thousands)			
Balance at beginning of year	$45,294	$1,936	$26,879	$1,881	$22,420	$1,820
Provision charged to operating expense	72,079	208	43,105	55	16,283	61
Recoveries credited to allowance	3,489		2,346		2,237	
Loans charged against the allowance	(62,962)		(27,036)		(14,061)	
Balance at end of year	$57,900	$2,144	$45,294	$1,936	$26,879	$1,881
Net loans charged against the allowance to average Portfolio Loans	2.34%		0.98%		0.48%	

Net loan charge-offs increased to $59.5 million (2.34% of average Portfolio Loans) in 2007 from $24.7 million (0.98% of average Portfolio Loans) in 2007. This increase is primarily due to a $27.9 million rise in commercial loan and $5.4 million rise in real estate mortgage loan net charge-offs in 2008 compared to 2007. The majority of these loans were secured by real estate and the increased levels of net loan charge-offs primarily reflect much weaker real estate values in Michigan in 2008.

We took a variety of steps during 2007 (and which continued throughout 2008) to address the credit issues identified above (higher levels of watch credits, non-performing loans and other real estate and repossessed assets), including the following:

- An enhanced quarterly watch credit review process to proactively manage higher risk loans.

- Loan risk ratings are independently assigned and structure recommendations made upfront by our credit officers.

• A Special Assets Group has been established to provide more effective management of our most troubled loans. A select group of law firms supports this team, providing professional advice and systemic feedback.

• An independent loan review function provides portfolio/individual loan feedback to evaluate the effectiveness of processes by market.

• Management (incentive) objectives for each commercial lender and senior commercial lender emphasize credit quality in addition to profitability.

• Portfolio concentrations are monitored with select loan types encouraged and other loan types (such as residential real estate development) requiring significantly higher approval authorities.

Deposits and Borrowings

Our competitive position within many of the markets served by our branch networks limits our ability to materially increase deposits without adversely impacting the weighted-average cost of core deposits. Accordingly, we principally compete on the basis of convenience and personal service, while employing pricing tactics that are intended to enhance the value of core deposits.

To attract new core deposits, we have implemented a high-performance checking program that utilizes a combination of direct mail solicitations, in-branch merchandising, gifts for customers opening new checking accounts or referring business to our bank and branch staff sales training. This program has historically generated increases in customer relationships as well as deposit service charges. Over the past two to three years we have also expanded our treasury management products and services for commercial businesses and municipalities or other governmental units and have also increased our sales calling efforts in order to attract additional deposit relationships from these sectors. Despite these efforts our core deposit growth has not kept pace with the growth of our Portfolio Loans. We view long-term core deposit growth as a significant challenge. Core deposits generally provide a more stable and lower cost source of funds than alternative sources such as short-term borrowings. As a result, the continued funding of Portfolio Loan growth with alternative sources of funds (as opposed to core deposits) may erode certain of our profitability measures, such as return on assets, and may also adversely impact our liquidity. (See "Liquidity and Capital Resources.") In March 2007 we completed the aforementioned branch acquisition, principally to increase our core deposits and market share in certain Michigan markets where we already had a presence.

We have also implemented strategies that incorporate federal funds purchased, other borrowings and Brokered CDs to fund a portion of any increases in interest earning assets. The use of such alternate sources of funds supplements our core deposits and is also an integral part of our asset/liability management efforts. Changes between the various categories of our alternative sources of funds will generally reflect pricing conditions.

ALTERNATE SOURCES OF FUNDS

	December 31,					
	2008			2007		
		Average			Average	
	Amount	Maturity	Rate	Amount	Maturity	Rate
	(Dollars in thousands)					
Brokered CDs(1)	$182,283	1.1 years	3.63%	$516,077	1.9 years	4.72%
Fixed-rate FHLB advances(1)	314,214	2.3 years	3.49	240,509	1.3 years	4.81
Variable-rate FHLB advances(1)				20,000	0.3 years	4.35
Securities sold under agreements to repurchase(1)	35,000	1.9 years	4.42	35,000	2.9 years	4.42
FRB borrowings	189,500	.1 years	0.54			
Federal funds purchased	750	1 day	0.25	54,452	1 day	4.00
Total	$721,747	1.4 years	2.80%	$866,038	1.6 years	4.68%

(1) Certain of these items have had their average maturity and rate altered through the use of derivative instruments, including pay-fixed and pay-variable interest-rate swaps.

Other borrowed funds, principally advances from the FHLB, borrowings from the FRB and securities sold under agreements to repurchase ("Repurchase Agreements"), totaled $542.0 million at December 31, 2008, compared to $302.5 million at December 31, 2007. The $239.5 million increase in other borrowed funds principally reflects higher borrowings from the FRB and FHLB to payoff Brokered CDs that matured or were called. Interest rates on Brokered CDs remained elevated compared to other funding sources throughout most of 2008. At December 31, 2008 we had unused borrowing capacity at the FRB and FHLB of approximately $610.5 million. In determining our borrowing sources, we primarily evaluate the interest cost, payment terms, facility structure and collateral requirements (also see "Liquidity and Capital Resources.").

Prior to April 2008, we had an unsecured revolving credit facility and term loan (that had a remaining balance of $2.5 million). The lender elected to not renew the $10.0 million unsecured revolving credit facility (which matured in

April 2008) and required repayment of the term loan because we were out of compliance with certain financial covenants contained within the loan documents. The $2.5 million term loan was repaid in full in April 2008 (it would have otherwise been repaid in full in accordance with the original terms in May 2009).

We employ derivative financial instruments to manage our exposure to changes in interest rates. At December 31, 2008, we employed interest-rate swaps with an aggregate notional amount of $168.0 million and interest rate caps with an aggregate notional amount of $278.5 million.

Liquidity and Capital Resources

Liquidity risk is the risk of being unable to timely meet obligations as they come due at a reasonable funding cost or without incurring unacceptable losses. Our liquidity management involves the measurement and monitoring of a variety of sources and uses of funds. Our Consolidated Statements of Cash Flows categorize these sources and uses into operating, investing and financing activities. We primarily focus our liquidity management on developing access to a variety of borrowing sources to supplement our deposit gathering activities and provide funds for growing our investment and loan portfolios as well as to be able to respond to unforeseen liquidity needs.

Our sources of funds include our deposit base, secured advances from the FHLB, secured borrowings from the FRB, a federal funds purchased borrowing facility with another commercial bank, and access to the capital markets (for Brokered CD's).

At December 31, 2008, we had $624.7 million of time deposits that mature in the next twelve months. Historically, a majority of these maturing time deposits are renewed by our customers or are Brokered CD's that we could replace. Additionally $1.215 billion of our deposits at December 31, 2008, were in account types from which the customer could withdraw the funds on demand. Changes in the balances of deposits that can be withdrawn upon demand are usually predictable and the total balances of these accounts have generally grown or have been reasonably stable over time as a result of our marketing and promotional activities. There can be no assurance that historical patterns of renewing time deposits or growth in deposits will continue in the future.

In particular, recent media reports about bank failures have created concerns among depositors at banks throughout the country, including certain of our customers, particularly those with deposit balances in excess of deposit insurance limits. In response, the FDIC has announced several programs during 2008 including increasing the deposit insurance limit from $100,000 to $250,000 at least until December 31, 2009 and providing unlimited deposit insurance for balances in non-interest bearing demand deposit and certain low-interest (an interest rate of 0.50% or less) transaction accounts. We have proactively sought to provide appropriate information to our deposit customers about our organization in order to retain our business and deposit relationships. Despite these moves by the FDIC and our proactive communications efforts, we are still experiencing some outflow of deposits. The outflow of significant amounts of deposits could have an adverse impact on our liquidity and results of operations.

We have developed contingency funding plans that stress tests our liquidity needs that may arise from certain events such as an adverse credit event, rapid loan growth or a disaster recovery situation. Our liquidity management also includes periodic monitoring that segregates assets between liquid and illiquid and classifies liabilities as core and non-core. This analysis compares our total level of illiquid assets to our core funding. It is our goal to have core funding sufficient to finance illiquid assets.

In the normal course of business, we enter into certain contractual obligations. Such obligations include requirements to make future payments on debt and lease arrangements, contractual commitments for capital expenditures, and service contracts. The table below summarizes our significant contractual obligations at December 31, 2008.

CONTRACTUAL COMMITMENTS(1)

	1 Year or Less	1-3 Years	3-5 Years	After 5 Years	Total
			(Dollars in thousands)		
Time deposit maturities	$624,674	$189,154	$33,461	$3,962	$851,251
Federal funds purchased and other borrowings	261,522	261,750	384	19,080	542,736
Subordinated debentures				92,888	92,888
Operating lease obligations	1,015	1,723	1,576	5,177	9,491
Purchase obligations(2)	1,294	2,588	431		4,313
Total	$888,505	$455,215	$35,852	$121,107	$1,500,679

(1) Excludes approximately $0.7 million of accrued tax and interest relative to uncertain tax benefits due to the high degree of uncertainty as to when, or if, those amounts would be paid.

(2) Includes contracts with a minimum annual payment of $1.0 million and are not cancellable within one year.

Effective management of capital resources is critical to our mission to create value for our shareholders. The cost of capital is an important factor in creating shareholder value and, accordingly, our capital structure includes cumulative trust preferred securities and cumulative preferred stock.

CAPITALIZATION

	December 31,	
	2008	2007
	(In thousands)	
Unsecured debt		$3,000
Subordinated debentures	$92,888	92,888
Amount not qualifying as regulatory capital	(2,788)	(2,788)
Amount qualifying as regulatory capital	90,100	90,100
Shareholders' equity		
Preferred stock	68,456	
Common stock	22,791	22,601
Capital surplus	200,687	195,302
Retained earnings (accumulated deficit)	(73,849)	22,770
Accumulated other comprehensive income (loss)	(23,208)	(171)
Total shareholders' equity	194,877	240,502
Total capitalization	$284,977	$333,602

We have four special purpose entities that have issued $90.1 million of cumulative trust preferred securities outside of Independent Bank Corporation. Currently $72.8 million of these securities qualify as Tier 1 capital and the balance qualify as Tier 2 capital. These entities have also issued common securities and capital to Independent Bank Corporation. Independent Bank Corporation, in turn, issued subordinated debentures to these special purpose entities equal to the trust preferred securities, common securities and capital issued. The subordinated debentures represent the sole asset of the special purpose entities. The common securities, capital and subordinated debentures are included in our Consolidated Statements of Financial Condition at December 31, 2008 and 2007.

We redeemed (at par) $5.0 million of existing trust preferred securities (including $0.75 million owned by our bank) on May 31, 2007. On May 31, 2007 we issued $12.0 million in new trust preferred securities in a pooled offering through a newly formed entity IBC Capital Finance III. The interest rate on these trust preferred securities is equal to 3-month LIBOR plus 160 basis points (adjusted quarterly).

On September 6, 2007 we issued an additional $20.0 million in new trust preferred securities in a pooled offering through another newly formed entity IBC Capital Finance IV. The interest rate on these trust preferred securities is equal to 3-month LIBOR plus 285 basis points (adjusted quarterly). However, we also executed a five-year $20 million interest rate swap (on which we receive 3 month LIBOR and pay an effective, taking into account the 285 basis point spread, fixed interest rate of 7.555%) to hedge the variability of the future cash flows on these trust preferred securities.

Both of these above described trust preferred securities are redeemable (at par) in whole or in part at our option beginning approximately five years from the date of issuance.

We have $7.5 million of trust preferred securities (that were issued in a pooled offering) that are redeemable (at par) in whole or in part at our option on any February 7, May 7, August 7 or November 7, beginning on November 7, 2007. We also have $50.6 million of trust preferred securities that were issued to the public in March 2003 and that are redeemable in whole or in part, from time to time, at our option beginning March 31, 2008. Given the existing costs of these trust preferred securities compared to current market rates that we would likely incur in a refinancing, it is unlikely that we will redeem these securities under current market conditions.

In March 2006, the Federal Reserve Board issued a final rule that retains trust preferred securities in the Tier 1 capital of bank holding companies. After a transition period that originally was going to end on March 31, 2009 but that has recently been extended an additional two years (to March 31, 2011), the aggregate amount of trust preferred securities and certain other capital elements will be limited to 25 percent of Tier 1 capital elements, net of goodwill (net of any associated deferred tax liability). The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 capital, subject to restrictions. Based upon our existing levels of Tier 1 capital, trust preferred securities and goodwill, this final Federal Reserve Board rule would have reduced our Tier 1 capital to average assets ratio by approximately 29 basis points at December 31, 2008, (this calculation assumes no transition period).

In December 2008, we issued 72,000 shares of Series A, no par value, $1,000 liquidation preference, fixed rate cumulative perpetual preferred stock and a warrant to purchase 3,461,538 warrants to purchase shares of our common stock to the Treasury in return for $72.0 million under the CPP. Of the total proceeds, $68.4 million was allocated to the preferred stock and $3.6 million was allocated to the warrants (included in capital surplus) based on the relative fair value of each. The $3.6 million discount on the preferred stock is being accreted using an effective yield method over five years. The accretion is being recorded as part of the preferred stock dividend.

The preferred stock will pay a quarterly, a cumulative cash dividend at a rate of 5% per annum on the $1,000 liquidation preference to, but excluding February 15, 2014 and at a rate of 9% per annum thereafter. We are subject to various regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. So long as any shares of preferred stock remain outstanding, unless all accrued and unpaid dividends for all prior dividend periods have been paid or are contemporaneously declared and paid in full, (a) no dividend whatsoever may be paid or declared on our common stock or other junior stock, other than a dividend payable solely in common stock and other than certain dividends or distributions of rights in connection with a shareholders' rights plan; and (b) neither we nor our subsidiaries may purchase, redeem or otherwise acquire for consideration any shares of our common stock or other junior stock unless we have paid in full all accrued dividends on the preferred stock for all prior dividend periods, other than purchases, redemptions or other acquisitions of our common stock or other junior stock in connection with the administration of our employee benefit plans in the ordinary course of business and consistent with past practice; pursuant to a publicly announced repurchase plan up to the increase in diluted shares outstanding resulting from the grant, vesting or exercise of equity-based compensation; any dividends or distributions of rights or junior stock in connection with any shareholders' rights plan redemptions or repurchases of rights pursuant to any shareholders' rights plan; acquisition of record ownership of common stock or other junior stock or parity stock for the beneficial ownership of any other person who is not us or one of our subsidiaries, including as trustee or custodian; and the exchange or conversion of common stock or other junior stock for or into other junior stock or of parity stock for or into other parity stock or junior stock but only to the extent that such acquisition is required pursuant to binding contractual agreements entered into before December 12, 2008 or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for common stock. Additionally, prior to December 12, 2011, even if we are current on the payment of dividends on the preferred stock, we may not do either of the following without the prior written consent of the Treasury: (y) pay cash dividends on our common stock to shareholders of more than $0.01 per share per quarter, as adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction; or (z) repurchase any of our common stock or redeem any of our trust preferred securities, other than certain excepted redemptions of common stock in connection with the administration of employee benefit plans in the ordinary course of business and consistent with past practices similar to those described in clause (b) above. These restrictions described in the preceding sentence expire, however, in the event that if we redeem all shares of preferred stock or in the event that if the Treasury transfers all of its shares of preferred stock to an unaffiliated transferee. Holders of shares of the preferred stock have no right to exchange or convert such shares into any other securities of IBC.

The preferred stock may be redeemed at any time, in whole or in part, subject to the Treasury's prior consultation with the Federal Reserve Board. Prior to the recent enactment of the American Recovery and Reinvestment Act of 2009, there were certain restrictions on our ability to redeem the preferred stock. In any redemption, the redemption price is an amount equal to the per share liquidation amount plus accrued and unpaid dividends to but excluding the date of redemption. The preferred stock will not be subject to any mandatory redemption, sinking fund or similar provisions. Holders of shares of preferred stock have no right to require the redemption or repurchase of the preferred stock. Our Board of Directors, or a duly authorized committee of the Board of Directors, has full power and authority to prescribe the terms and conditions upon which the preferred stock will be redeemed from time to time, subject to the provisions of the Certificate of Designation (including the limitations described in this paragraph). If fewer than all of the outstanding shares of preferred stock are to be redeemed, the shares to be redeemed will be selected either pro rata from the holders of record of shares of preferred stock in proportion to the number of shares held by those holders or in such other manner as our Board of Directors or a committee thereof may determine to be fair and equitable.

The warrant is initially exercisable for 3,461,538 shares of our common stock. The initial exercise price applicable to the warrant is $3.12 per share of common stock for which the warrant may be exercised. The number of shares of common stock underlying the warrant and the exercise price applicable to the warrant are both subject to adjustment for certain dilutive actions we may take, including stock dividends, stock splits, and similar transactions. The warrant may be exercised at any time on or before December 12, 2018 by surrender of the warrant and a completed notice of exercise attached as an annex to the warrant and the payment of the exercise price for the shares of common stock for which the warrant is being exercised.

The annual 5% dividend on the preferred stock together with the amortization of the discount will reduce net income (or increase the net loss) applicable to common stock by approximately $4.3 million annually. In addition, the exercise price on the warrant of $3.12 per share is presently below our market, book and tangible book values per share. If our market value per share exceeds the warrant price, our diluted earnings per share will be reduced. Further, the exercise of the warrant would be dilutive to our book and tangible book values per share.

Shareholders' equity applicable to common stock declined to $126.4 million at December 31, 2008 from $240.5 million at December 31, 2007. Our tangible common equity ("TCE") totaled $97.5 million and $158.5 million, respectively, at those same dates. Our ratio of TCE to tangible assets was 3.33% at December 31, 2008 compared to 5.01% at December 31, 2007. Although we would like to have a higher ratio of TCE to tangible assets, we believe that in the current environment, it would be extremely difficult to raise additional common equity, at least at an acceptable price. Further, our regulatory capital ratios remain at levels above "well capitalized" standards. Therefore, our capital strategy in the near term is focused on limiting growth in total assets, maintaining our quarterly common stock cash dividend at only a nominal level and returning to profitability as soon as possible in order to increase our ratio of TCE to tangible assets in the future.

We did not repurchase any shares of our common stock on the open market during 2008 or in the last nine months of 2007. However, during the first quarter of 2007 we repurchased 295,000 shares on the open market at a weighted average price of $20.30 per share. We also reduced our quarterly common stock cash dividend to $0.01 per share in the second quarter of 2008. These actions were taken in order to preserve cash at our bank holding company as we do not expect our bank subsidiary to be able to pay any cash dividends in the near term. Although there are no specific regulations restricting dividend payments by bank holding companies (other than State corporate laws) the Federal Reserve Bank (our primary federal regulator) has issued a policy statement on cash dividend payments. The Federal Reserve's view is that: "an organization experiencing earnings weaknesses or other financial pressures should not maintain a level of cash dividends that exceeds its net income, that is inconsistent with the organization's capital position, or that can only be funded in ways that may weaken the organization's financial health." Although the Federal Reserve has not sought to restrict or limit the cash dividends that we have been paying, our Board of Directors believed that it was in the best long-term interests of our shareholders to reduce our quarterly common stock cash dividend to a nominal level ($0.01 per share). Our bank holding company had cash on hand of approximately $27.5 million at December 31, 2008. This level of cash provides approximately three years of coverage for expected dividends on trust preferred securities, the Preferred Stock and our common stock.

Our bank subsidiary remains "well capitalized" (as defined by banking regulations) at December 31, 2008 and 2007.

Bank Capital Ratios

	September 30, 2009	December 31, 2008	Minimum Ratio for Adequately Capitalized Institutions	Minimum Ratio for Well Capitalized Institutions
Tier 1 capital to average assets	7.32%	8.25%	4.00%	5.00%
Tier 1 risk-based capital	9.41	10.62	4.00	6.00
Total risk-based capital	10.68	11.91	8.00	10.00

Shareholders' equity totaled $194.9 million at December 31, 2008. The decrease from $240.5 million at December 31, 2007 primarily reflects the loss that we incurred in 2008 and a larger accumulated other comprehensive loss that were partially offset by the aforementioned Preferred Stock issuance. Shareholders' equity was equal to 6.59% of total assets at December 31, 2008, compared to 7.41% a year earlier.

Asset/Liability Management

Interest-rate risk is created by differences in the cash flow characteristics of our assets and liabilities. Options embedded in certain financial instruments, including caps on adjustable-rate loans as well as borrowers' rights to prepay fixed-rate loans also create interest-rate risk.

Our asset/liability management efforts identify and evaluate opportunities to structure the balance sheet in a manner that is consistent with our mission to maintain profitable financial leverage within established risk parameters. We evaluate various opportunities and alternative balance-sheet strategies carefully and consider the likely impact on our risk profile as well as the anticipated contribution to earnings. The marginal cost of funds is a principal consideration in the implementation of our balance-sheet management strategies, but such evaluations further consider interest-rate and liquidity risk as well as other pertinent factors. We have established parameters for interest-rate risk. We regularly monitor our interest-rate risk and report quarterly to our board of directors.

We employ simulation analyses to monitor our interest-rate risk profile and evaluate potential changes in our net interest income and market value of portfolio equity that result from changes in interest rates. The purpose of these simulations is to identify sources of interest-rate risk inherent in our balance sheet. The simulations do not anticipate any actions that we might initiate in response to changes in interest rates and, accordingly, the simulations do not provide a reliable forecast of anticipated results. The simulations are predicated on immediate, permanent and parallel shifts in interest rates and generally assume that current loan and deposit pricing relationships remain constant. The simulations further incorporate assumptions relating to changes in customer behavior, including changes in prepayment rates on certain assets and liabilities.

CHANGES IN MARKET VALUE OF PORTFOLIO EQUITY AND TAX EQUIVALENT NET INTEREST INCOME

Change in Interest Rates	Market Value of Portfolio Equity(1)	Percent Change	Tax Equivalent Net Interest Income(2
		(Dollars in thousands)	
December 31, 2008			
200 basis point rise	$202,900	(2.50)%	$129,70
100 basis point rise	206,500	(0.77)	132,50
Base-rate scenario	208,100		135,90
100 basis point decline	204,600	(1.68)	137,90
200 basis point decline	192,400	(7.54)	134,40
December 31, 2007			
200 basis point rise	$229,000	(6.87)%	$121,60
100 basis point rise	241,100	(1.95)	124,10
Base-rate scenario	245,900		127,00
100 basis point decline	234,100	(4.80)	128,90
200 basis point decline	222,200	(9.64)	130,20

(1) Simulation analyses calculate the change in the net present value of our assets and liabilities, including debt and related financial derivative instruments, under parallel shifts in interest rates by discounting the estimated future cash flows using a market-based discount rate. Cash flow estimates incorporate anticipated changes in prepayment speeds and other embedded options.

(2) Simulation analyses calculate the change in net interest income under immediate parallel shifts in interest rates over the next twelve months, based upon a static balance sheet, which includes debt and related financial derivative instruments, and do not consider loan fees.

CRITICAL ACCOUNTING POLICIES

Our accounting and reporting policies are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. Accounting and reporting policies for other than temporary impairment of investment securities, the allowance for loan losses, originated mortgage loan servicing rights, derivative financial instruments, income taxes and goodwill are deemed critical since they involve the use of estimates and require significant management judgments. Application of assumptions different than those that we have used could result in material changes in our financial position or results of operations.

We are required to assess our investment securities for "other than temporary impairment" on a periodic basis. The determination of other than temporary impairment for an investment security requires judgment as to the cause of the impairment, the likelihood of recovery and the projected timing of the recovery. The topic of other than temporary impairment has been at the forefront of discussions within the accounting profession during 2008 and 2009 because of the dislocation of the credit markets that has occurred. On January 12, 2009 the Financial Accounting Standards Board ("FASB") issued ASC 325-40-65-1 (formerly Staff Position No. EITF 99-20-1 "Amendments to the Impairment Guidance of EITF Issue No. 99-20.") This standard has been applicable to our financial statements since December 31, 2008. In particular, this standard strikes the language that required the use of market participant assumptions about future cash flows from previous guidance. This change now permits the use of reasonable management judgment about whether it is probable that all previously projected cash flows will not be collected in determining other than temporary impairment. Our assessment process resulted in recording an other than temporary impairment charge of $0.02 million in the first nine months of 2009 compared to $0.1 million in the first nine months of 2008. Further, we did elect (effective January 1, 2008) fair value accounting pursuant to FASB ASC topic 825 "Financial Instruments" for certain of our preferred stock investments. We believe that our assumptions and judgments in assessing other than temporary impairment for our investment securities are reasonable and conform to general industry practices. Prices for investment securities are largely provided by a pricing service. These prices consider benchmark yields, reported trades, broker / dealer quotes and issuer spreads. Furthermore, prices for mortgage securities consider: TBA prices, monthly payment information and collateral performance. As of September 30, 2009, the pricing service did not provide fair values for securities with a fair value of $39.8 million. Management estimated the fair value of these securities using similar techniques including: observed prices, benchmark yields, dealer bids and TBA pricing. These estimates are subject to change and the resulting level 3 valued securities may be volatile as a result. At September 30, 2009 the cost basis of our investment securities classified as available for sale exceeded their estimated fair value at that same date by $6.4 million. This amount is included in the accumulated other comprehensive loss section of shareholders' equity.

Our methodology for determining the allowance and related provision for loan losses is described above in "Portfolio Loans and asset quality." In particular, this area of accounting requires a significant amount of judgment because a multitude of factors can influence the ultimate collection of a loan or other type of credit. It is extremely difficult to precisely measure the amount of losses that are probable in our loan portfolio. We use a rigorous process to attempt to accurately quantify the necessary allowance and related provision for loan losses, but there can be no assurance that our modeling process will successfully identify all of the losses that are probable in our loan portfolio. As a result, we could record future provisions for loan losses that may be significantly different than the levels that we recorded thus far in 2009.

At September 30, 2009 we had approximately $14.3 million of mortgage loan servicing rights capitalized on our balance sheet. There are several critical assumptions involved in establishing the value of this asset including estimated future prepayment speeds on the underlying mortgage loans, the interest rate used to discount the net cash flows from the mortgage loan servicing, the estimated amount of ancillary income that will be received in the future (such as late fees) and the estimated cost to service the mortgage loans. We believe the assumptions that we utilize in our valuation are reasonable based upon accepted industry practices for valuing mortgage loan servicing rights and represent neither the most conservative or aggressive assumptions. We recorded a decrease in the valuation allowance on capitalized mortgage loan servicing rights of $1.5 million in the first nine months of 2009.

We use a variety of derivative instruments to manage our interest rate risk. These derivative instruments may include interest rate swaps, collars, floors and caps and mandatory forward commitments to sell mortgage loans. Under FASB ASC topic 815 "Derivatives and Hedging" the accounting for increases or decreases in the value of derivatives depends upon the use of the derivatives and whether the derivatives qualify for hedge accounting. At September 30, 2009 we had approximately $201.0 million in notional amount of derivative financial instruments that qualified for hedge accounting under this standard. As a result, generally, changes in the fair market value of those derivative financial instruments qualifying as cash flow hedges are recorded in other comprehensive income. The changes in the fair value of those derivative financial instruments qualifying as fair value hedges are recorded in earnings and, generally, are offset by the change in the fair value of the hedged item which is also recorded in earnings (we currently do not have any fair value hedges). The fair value of derivative financial instruments qualifying for hedge accounting was a negative $4.8 million at September 30, 2009.

Our accounting for income taxes involves the valuation of deferred tax assets and liabilities primarily associated with differences in the timing of the recognition of revenues and expenses for financial reporting and tax purposes. At September 30, 2009 we had gross deferred tax assets of $56.6 million, gross deferred tax liabilities of $6.3 million and a valuation allowance of $49.7 million ($13.5 million of such valuation allowance was established in the first nine months of 2009 and the balance of which was established in 2008) resulting in a net deferred tax asset of $0.6 million. This valuation allowance represents our entire net deferred tax asset except for certain deferred tax assets at Mepco that relate to state income taxes and that can be recovered based on Mepco's individual earnings. FASB ASC topic 740 "Income Taxes" requires that companies assess whether a valuation allowance should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. In accordance with this standard, we reviewed our deferred tax assets and determined that based upon a number of factors including our declining operating performance since 2005 and our net loss in 2008 and in the first nine months of 2009, overall negative trends in the banking industry and our expectation that our operating results will continue to be negatively affected by the overall economic environment, we should establish a valuation allowance for our deferred tax assets. In the last quarter of 2008, we recorded a $36.2 million valuation allowance, which consisted of $27.6 million recognized as income tax expense and $8.6 million recognized through the accumulated other comprehensive loss component of shareholders' equity and in the first nine months of 2009 we recorded an additional $13.5 million valuation allowance. We had recorded no valuation allowance on our net deferred tax asset in prior years because we believed that the tax benefits associated with this asset would more likely than not, be realized. Changes in tax laws, changes in tax rates and our future level of earnings can impact the ultimate realization of our net deferred tax asset as well as the valuation allowance that we have established.

At September 30, 2009 we had $16.7 million of goodwill. Under FASB ASC topic 350 "Intangibles-Goodwill and Other" this asset must be periodically tested for impairment. We test our goodwill for impairment utilizing the methodology and guidelines established in this standard. This methodology involves assumptions regarding the valuation of the business segments that contain the acquired entities. We believe that the assumptions we utilize are reasonable. During 2008 we recorded a $50.0 million goodwill impairment charge. In the fourth quarter of 2008 we updated our goodwill impairment testing (interim tests had also been performed in the second and third quarters of 2008). Our common stock price dropped even further in the fourth quarter resulting in a wider difference between our market capitalization and book value. The results of the year end goodwill impairment testing showed that the estimated fair value of our bank reporting unit was less than the carrying value of equity. This necessitated a step 2 analysis and valuation. Based on the step 2 analysis (which involved determining the fair value of our bank's assets, liabilities and identifiable intangibles) we concluded that goodwill was now impaired, resulting in this $50.0 million charge. The remaining goodwill of $16.7 million is at our Mepco reporting unit and the testing performed indicated that this goodwill is not impaired. Mepco had net income from continuing operations of $11.1 million in the first nine-months of 2009 and $10.7 million and $5.1 million in 2008 and 2007, respectively. Based primarily on Mepco's estimated future earnings, the fair value of this reporting unit (utilizing a discounted cash flow method) has been determined to be in excess of its carrying value. We may incur additional impairment charges related to our remaining goodwill in the future due to changes in business prospects or other matters at Mepco that could affect our valuation assumptions.

LITIGATION MATTERS

We are involved in various litigation matters in the ordinary course of business and at the present time, we do not believe that any of these matters will have a significant impact on our financial condition or results of operations.

BUSINESS

Independent Bank Corporation was incorporated under the laws of the State of Michigan on September 17, 1973, for the purpose of becoming a bank holding company. We are registered under the Bank Holding Company Act of 1956, as amended, and own the outstanding stock of Independent Bank which is organized under the laws of the State of Michigan. During 2007, we consolidated our existing four bank charters into one.

Aside from the stock of our bank, we have no other substantial assets. We conduct no business except for the collection of dividends from our bank and the payment of dividends to our shareholders. Certain employee retirement plans (including employee stock ownership and deferred compensation plans) as well as health and other insurance programs have been established by us. The costs of these plans are borne by our bank and its subsidiaries.

We have no material patents, trademarks, licenses or franchises except the corporate franchise of our bank which permits it to engage in commercial banking pursuant to Michigan law.

Our bank's main office location is Ionia, Michigan and it had total loans (excluding loans held for sale) and total deposits of $2.460 billion and $2.066 billion, respectively, at December 31, 2008.

Our bank transacts business in the single industry of commercial banking. Most of our bank's offices provide full-service lobby and drive-thru services in the communities which they serve. Automatic teller machines are also provided at most locations.

Our bank's activities cover all phases of banking, including checking and savings accounts, commercial lending, direct and indirect consumer financing, mortgage lending and safe deposit box services. Our bank's mortgage lending activities are primarily conducted through a separate mortgage bank subsidiary. Mepco Finance Corporation, a subsidiary of our bank, acquires (on a full recourse basis) and services payment plans used by consumers to purchase vehicle service contracts and similar products purchased and administered by third parties. In addition, our bank offers title insurance services through a separate subsidiary and provides investment and insurance services through a third party agreement with PrimeVest Financial Services, Inc. Our bank does not offer trust services. Our principal markets are the rural and suburban communities across lower Michigan that are served by our bank's branch network. Our bank serves its markets through its main office and a total of 105 branches, 4 drive-thru facilities and 5 loan production offices. The ongoing economic stress in Michigan has adversely impacted many of our markets, which is manifested in higher levels of loan defaults and lower demand for credit.

Our bank competes with other commercial banks, savings banks, credit unions, mortgage banking companies, securities brokerage companies, insurance companies, and money market mutual funds. Many of these competitors have substantially greater resources than we do and offer certain services that we do not currently provide. Such competitors may also have greater lending limits than our bank. In addition, non-bank competitors are generally not subject to the extensive regulations applicable to us.

Price (the interest charged on loans and/or paid on deposits) remains a principal means of competition within the financial services industry. Our bank also competes on the basis of service and convenience in providing financial services.

The principal sources of revenue, on a consolidated basis, are interest and fees on loans, other interest income and non-interest income. The sources of revenue for the three most recent years are as follows:

	2008	2007	2006
Interest and fees on loans	80.0%	74.8%	74.1%

Other interest income	7.3	7.7	8.8
Non-interest income	12.7	17.5	17.1
	100.0%	100.0%	100.0%

As of December 31, 2008, we had 1,030 full-time employees and 275 part-time employees.

Supervision and Regulation

The following is a summary of certain statutes and regulations affecting us. This summary is qualified in its entirety by reference to the particular statutes and regulations. A change in applicable laws or regulations may have a material effect on us and our bank.

General

Financial institutions and their holding companies are extensively regulated under federal and state law. Consequently, our growth and earnings performance can be affected not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. Those authorities include, but are not limited to, the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Federal Deposit Insurance Corporation (the "FDIC"), the Michigan Office of Financial and Insurance Regulation (the "Michigan OFIR"), the Internal Revenue Service, and state taxing authorities. The effect of such statutes, regulations and policies and any changes thereto can be significant and cannot be predicted.

Federal and state laws and regulations generally applicable to financial institutions and their holding companies regulate, among other things, the scope of business, investments, reserves against deposits, capital levels, lending activities and practices, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and dividends. The system of supervision and regulation applicable to us establishes a comprehensive framework for our operations and is intended primarily for the protection of the FDIC's deposit insurance funds, our depositors, and the public, rather than our shareholders.

Federal law and regulations establish supervisory standards applicable to the lending activities of our bank, including internal controls, credit underwriting, loan documentation and loan-to-value ratios for loans secured by real property.

Regulatory Developments

Emergency Economic Stabilization Act of 2008. On October 3, 2008, Congress enacted the Emergency Economic Stabilization Act of 2008 ("EESA"). EESA enables the federal government, under terms and conditions developed by the Secretary of the United States Department of the Treasury (the "Treasury"), to insure troubled assets, including mortgage-backed securities, and collect premiums from participating financial institutions. EESA includes, among other provisions: (a) the $700 billion Troubled Assets Relief Program ("TARP"), under which the Secretary of the Treasury is authorized to purchase, insure, hold, and sell a wide variety of financial instruments, particularly those that are based on or related to residential or commercial mortgages originated or issued on or before March 14, 2008; and (b) an increase in the amount of deposit insurance provided by the FDIC. Both of these specific provisions are discussed in the below sections.

Troubled Assets Relief Program (TARP). Under TARP, the Treausry authorized a voluntary capital purchase program ("CPP") to purchase senior preferred shares of qualifying financial institutions that elect to participate. Participating companies must adopt certain standards for executive compensation, including (a) prohibiting "golden parachute" payments as defined in EESA to senior executive officers; (b) requiring recovery of any compensation paid to senior executive officers based on criteria that is later proven to be materially inaccurate; and (c) prohibiting incentive compensation that encourages unnecessary and excessive risks that threaten the value of the financial institution. The terms of the CPP also limit certain uses of capital by the issuer, including repurchases of company stock and increases in dividends.

On December 12, 2008, we participated in the CPP and issued $72 million in capital to the Treasury in the form of non-voting cumulative preferred stock that pays cash dividends at the rate of 5% per annum for the first five years, and then pays cash dividends at the rate of 9% per annum thereafter. In addition, the Treasury received a warrant to purchase shares of our common stock having an aggregate market price equal to 15% of the preferred stock amount. Of the total proceeds, $68.4 million was allocated to the preferred stock and $3.6 million was allocated to the warrant (included in capital surplus) based on the relative fair value of each. The exercise price for the warrant is $3.12 per share, which was determined based on the average of closing prices of our common stock during the 20-trading day period ended November 20, 2008, the last trading day prior to the date the Treasury approved our participation in the CPP. The warrant is exercisable, in whole or in part, over a term of 10 years.

The securities purchase agreement, dated December 12, 2008, pursuant to which the securities issued to the Treasury under the CPP were sold, limits the payment of dividends on our common stock; limits our ability to repurchase shares of common stock (with certain exceptions); grants the holders of the preferred stock, the warrant and our common stock to be issued under the warrant certain registration rights; and subjects us to the executive compensation limitations included in the EESA.

Federal Deposit Insurance Coverage. EESA temporarily raised the limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor and on May 20, 2009, this temporary increase in the insurance limit was extended until December 31, 2013. Separate from EESA, in October 2008, the FDIC also announced the Temporary Liquidity Guarantee Program. Under one component of this program, the FDIC temporarily provides unlimited coverage for noninterest bearing transaction deposit accounts through June 30, 2010.

Financial Stability Plan. On February 10, 2009, the Treasury announced the Financial Stability Plan ("FSP"), which is a comprehensive set of measures intended to shore up the U.S. financial system and earmarks the balance of the unused funds originally authorized under EESA. The major elements of the FSP include: (i) a capital assistance program that will invest in convertible preferred stock of certain qualifying institutions, (ii) a consumer and business lending initiative to fund new consumer loans, small business loans and commercial mortgage asset-backed securities issuances, (iii) a new public-private investment fund that will leverage public and private capital with public financing to purchase up to $500 billion to $1 trillion of legacy "toxic assets" from financial institutions, and (iv) assistance for homeowners by providing up to $75 billion to reduce mortgage payments and interest rates and establishing loan modification guidelines for government and private programs.

Financial institutions receiving assistance under the FSP going forward will be subject to higher transparency and accountability standards, including restrictions on dividends, acquisitions and executive compensation and additional disclosure requirements. We cannot predict at this time the effect that the FSP may have on us or our business, financial condition or results of operations.

American Recovery and Reinvestment Act of 2009. On February 17, 2009, Congress enacted the American Recovery and Reinvestment Act of 2009 ("ARRA"). In enacting ARRA, Congress intended to provide a stimulus to the U.S. economy in light of the significant economic downturn. ARRA includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and numerous domestic spending efforts in education, healthcare and infrastructure. ARRA also includes numerous non-economic recovery related items, including a limitation on executive compensation in federally-aided financial institutions, including banks that have received or will receive assistance under TARP.

Under ARRA, a financial institution will be subject to the following restrictions and standards throughout the period in which any obligation arising from financial assistance provided under TARP remains outstanding:

- Limits on compensation incentives for risk-taking by senior executive officers;
- Requirement of recovery of any compensation paid based on inaccurate financial information;
- Prohibition on "golden parachute payments" as defined in ARRA;
- Prohibition on compensation plans that would encourage manipulation of reported earnings to enhance the compensation of employees;
- Establishment of board compensation committees by publicly-registered TARP recipients comprised entirely of independent directors, for the purpose of reviewing employee compensation plans;
- Prohibition on bonuses, retention awards, and incentive compensation, except for payments of long-term restricted stock; and
- Limitation on luxury expenditures.

In addition, TARP recipients will be required to permit a separate shareholder vote to approve the compensation of executives. The chief executive officer and chief financial officer of each TARP recipient will be required to provide a written certification of compliance with these standards to the SEC.

The foregoing is a summary of requirements to be included in standards to be established by the Secretary of the Treasury.

Homeowner Affordability and Stability Plan. On February 18, 2009, President Obama announced the Homeowner Affordability and Stability Plan ("HASP"). HASP is intended to support a recovery in the housing market and ensure that workers can continue to pay off their mortgages through the following elements:

- Access to low-cost refinancing for responsible homeowners suffering from falling home prices;

- A $75 billion homeowner stability initiative to prevent foreclosure and help responsible families stay in their homes; and

- Support low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac.

In addition, the U.S. Government, the Federal Reserve, the Treasury, the FDIC and other governmental and regulatory bodies have taken, or may be considering taking, other actions to address the financial crisis. There can be no assurance, however, as to the actual impact of these actions on the financial markets and their potential impact on our business.

Independent Bank Corporation

General

We are a bank holding company and, as such, are registered with, and subject to regulation by, the Federal Reserve under the Bank Holding Company Act, as amended (the "BHCA"). Under the BHCA, we are subject to periodic examination by the Federal Reserve, and are required to file periodic reports of operations and such additional information as the Federal Reserve may require.

In accordance with Federal Reserve policy, a bank holding company is expected to act as a source of financial strength to its subsidiary banks and to commit resources to support the subsidiary banks in circumstances where the bank holding company might not do so absent such policy.

In addition, if the Michigan OFIR deems a bank's capital to be impaired, the Michigan OFIR may require a bank to restore its capital by special assessment upon a bank holding company, as the bank's sole shareholder. If the bank holding company failed to pay such assessment, the directors of that bank would be required, under Michigan law, to sell the shares of bank stock owned by the bank holding company to the highest bidder at either public or private auction and use the proceeds of the sale to restore the bank's capital.

Any capital loans by a bank holding company to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Investments and Activities

In general, any direct or indirect acquisition by a bank holding company of any voting shares of any bank which would result in the bank holding company's direct or indirect ownership or control of more than 5% of any class of voting shares of such bank, and any merger or consolidation of the bank holding company with another bank holding company, will require the prior written approval of the Federal Reserve under the BHCA. In acting on such applications, the Federal Reserve must consider various statutory factors including the effect of the proposed transaction on competition in relevant geographic and product markets, and each party's financial condition, managerial resources, and record of performance under the Community Reinvestment Act.

In addition and subject to certain exceptions, the Change in the Bank Control Act ("Control Act") and regulations promulgated thereunder by the Federal Reserve, require any person acting directly or indirectly, or through or in concert with one or more persons, to give the Federal Reserve 60 days' written notice before acquiring control of a bank holding company. Transactions which are presumed to constitute the acquisition of control include the acquisition of any voting securities of a bank holding company having securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, if, after the transaction, the acquiring person (or persons acting in concert) owns, controls or holds with power to vote 10% or more of any class of voting securities of the institution. The acquisition may not be consummated subsequent to such notice if the Federal Reserve issues a notice within 60 days, or within certain extensions of such period, disapproving the acquisition.

The merger or consolidation of an existing bank subsidiary of a bank holding company with another bank, or the acquisition by such a subsidiary of the assets of another bank, or the assumption of the deposit and other liabilities by such a subsidiary requires the prior written approval of the responsible Federal depository institution regulatory agency under the Bank Merger Act, based upon a consideration of statutory factors similar to those outlined above with respect to the BHCA. In addition, in certain cases an application to, and the prior approval of, the Federal Reserve under the BHCA and/or OFIR under Michigan banking laws, may be required.

With certain limited exceptions, the BHCA prohibits any bank holding company from engaging, either directly or indirectly through a subsidiary, in any activity other than managing or controlling banks unless the proposed non-banking activity is one that the Federal Reserve has determined to be so closely related to banking as to be a proper incident thereto. Under current Federal Reserve regulations, such permissible non-banking activities include such things as mortgage banking, equipment leasing, securities brokerage, and consumer and commercial finance company operations. Well-capitalized and well-managed bank holding companies may, however, engage *de novo* in certain types of non-banking activities without prior notice to, or approval of, the Federal Reserve, provided that written notice of the new activity is given to the Federal Reserve within 10 business days after the activity is commenced. If a bank holding company wishes to engage in a non-banking activity by acquiring a going concern, prior notice and/or prior approval will be required, depending upon the activities in which the company to be acquired is engaged, the size of the company to be acquired and the financial and managerial condition of the acquiring bank company.

Eligible bank holding companies that elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance activities and any other activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature, incidental to any such financial activity or complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Bank Holding Company Act generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank or financial holding companies. As of the date of this filing, we have not applied for approval to operate as a financial holding company and have no current intention of doing so.

Capital Requirements

The Federal Reserve uses capital adequacy guidelines in its examination and regulation of bank holding companies. If capital falls below minimum guidelines, a bank holding company may, among other things, be denied approval to acquire or establish additional banks or non-bank businesses.

The Federal Reserve's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies: (i) a leverage capital requirement expressed as a percentage of total assets, and (ii) a risk-based requirement expressed as a percentage of total risk-weighted assets. The leverage capital requirement consists of a minimum ratio of Tier 1 capital (which consists principally of shareholders' equity) to total assets of 3% for the most highly rated companies with minimum requirements of 4% to 5% for all others. The risk-based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8%, of which at least one-half must be Tier 1 capital.

The risk-based and leverage standards presently used by the Federal Reserve are minimum requirements, and higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations.

Included in our Tier 1 capital is $72.8 million of trust preferred securities (classified on our balance sheet as "Subordinated debentures"). In March 2005, the Federal Reserve Board issued a final rule that would retain trust preferred securities in the Tier 1 capital of bank holding companies. After a transition period that originally was going to end on March 31, 2009 but that has recently been extended an additional two years (to March 31, 2011), the aggregate amount of trust preferred securities and certain other capital elements would be limited to 25 percent of Tier 1 capital elements, net of goodwill (less any associated deferred tax liability). The amount of trust preferred securities and certain other elements in excess of the limit could be included in the Tier 2 capital, subject to restrictions. Based upon our existing levels of Tier 1 capital, trust preferred securities and goodwill, this final Federal Reserve Board rule would have reduced our Tier 1 capital to average assets ratio by approximately 29 basis points at September 30, 2009 (this calculation assumes no transition period).

The Federal bank regulatory agencies are required biennially to review risk-based capital standards to ensure that they adequately address interest rate risk, concentration of credit risk and risks from non-traditional activities.

Dividends

Most of our revenues are received in the form of dividends paid by our bank. Thus, our ability to pay dividends to our shareholders is indirectly limited by statutory restrictions on the ability of our bank to pay dividends, as discussed below. Further, in a policy statement, the Federal Reserve has expressed its view that a bank holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income or which can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. Additionally, the Federal Reserve possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. The "prompt corrective action" provisions of federal law and regulation authorizes the Federal Reserve to restrict the amount of dividends that an insured bank can pay which fails to meet specified capital levels.

In addition to the restrictions on dividends imposed by the Federal Reserve, the Michigan Business Corporation Act provides that dividends may be legally declared or paid only if after the distribution, a corporation can pay its debts as they come due in the usual course of business and its total assets equal or exceed the sum of its liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of any holders of preferred stock whose preferential rights are superior to those receiving the distribution.

Finally, dividends on our common stock must be paid in accordance with the terms of the CPP. Prior to December 12, 2011, unless we have redeemed all of the preferred stock issued to Treasury on December 12, 2008 or unless the Treasury has transferred all the preferred securities to a third party, the consent of the Treasury will be required for us to declare or pay any dividend or make any distribution on common stock other than (i) regular quarterly cash dividends of not more than $0.01 per share, as adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction, (ii) dividends payable solely in shares of our common stock, and (iii) dividends or distributions of rights or junior stock in connection with any shareholders' rights plan.

Notwithstanding the foregoing, because we have suspended all dividends on the shares of preferred stock issued to the Treasury and all quarterly payments on our outstanding trust preferred securities, we are currently prohibited from paying any cash dividends on our common stock. In addition, in December of 2009, our Board of Directors adopted resolutions that prohibit us from paying any dividends on our common stock without, in each case, the prior written approval of the FRB and the Michigan OFIR. See "Recent Developments" above and "Dividend Policy" below for more information.

Federal Securities Regulation

Our common stock is registered with the Securities and Exchange Commission ('SEC') under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We are therefore subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act. The Sarbanes-Oxley Act of 2002 provides for numerous changes to the reporting, accounting, corporate governance and business practices of companies as well as financial and other professionals who have involvement with the U.S. public markets.

Our Bank

General

Our bank is a Michigan banking corporation, is a member of the Federal Reserve System and its deposit accounts are insured by the Deposit Insurance Fund ("DIF") of the FDIC. As a member of the Federal Reserve System, and a Michigan chartered bank, our bank is subject to the examination, supervision, reporting and enforcement requirements of the Federal Reserve Board as its primary regulator, and Michigan OFIR, as the chartering authority for Michigan banks. These agencies and the federal and state laws applicable to our bank and its operations, extensively regulate various aspects of the banking business including, among other things, permissible types and amounts of loans, investments and other activities, capital adequacy, branching, interest rates on loans and on deposits, the maintenance of non-interest bearing reserves on deposit accounts, and the safety and soundness of banking practices.

Deposit Insurance

As an FDIC-insured institution, our bank is required to pay deposit insurance premium assessments to the FDIC. Under the FDIC's risk-based assessment system for deposit insurance premiums, all insured depository institutions are placed into one of four categories and assessed insurance premiums based primarily on their level of capital and supervisory evaluations.

The FDIC is required to establish assessment rates for insured depository institutions at levels that will maintain the DIF at a Designated Reserve Ratio (DRR) selected by the FDIC within a range of 1.15% to 1.50%. The FDIC is allowed to manage the pace at which the reserve ratio varies within this range. The DRR is currently established at 1.25%.

Under the FDIC's prevailing rate schedule, assessments are made and adjusted based on risk. Premiums are assessed and collected quarterly by the FDIC. Beginning as of the second quarter of 2009, banks in the lowest risk category paid an initial base rate ranging from 12 to 16 basis points (calculated as an annual rate against the bank's deposit base) for insurance premiums, with certain potential adjustments based on certain risk factors affecting the bank. That base rate is subject to increase to 45 basis points for banks that pose significant supervisory concerns, with certain potential adjustments based on certain risk factors affecting the bank. FDIC insurance assessments could continue to increase in the future due to continued depletion of the DIF.

On May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009. This special assessment was paid on September 30, 2009. The FDIC may impose additional special assessments under certain circumstances.

In addition, in 2008, the bank elected to participate in the FDIC's Transaction Account Guarantee Program (TAGP). Under the TAGP, funds in non-interest bearing transaction accounts, in interest-bearing transaction accounts with an interest rate of 0.50% or less, and in Interest on Lawyers Trust Accounts (IOLTA) will have a temporary (until June 30, 2010) unlimited guarantee from the FDIC. The coverage under the TAGP is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules which insure accounts up to $250,000. Participation in the TAGP requires the payment of additional insurance premiums to the FDIC.

FICO Assessments

Our bank, as a member of the DIF, is subject to assessments to cover the payments on outstanding obligations of the Financing Corporation ("FICO"). FICO was created to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the predecessor to the FDIC's Savings Association Insurance Fund which was created to insure the deposits of thrift institutions and was merged with the Bank Insurance Fund into the newly formed DIF in 2006. From now until the maturity of the outstanding FICO obligations in 2019, DIF members will share the cost of the interest on the FICO bonds on a pro rata basis. It is estimated that FICO assessments during this period will be approximately 0.011% of deposits.

Michigan OFIR Assessments

Michigan banks are required to pay supervisory fees to the Michigan OFIR to fund their operations. The amount of supervisory fees paid by a bank is based upon the bank's total assets.

Capital Requirements

The Federal Reserve has established the following minimum capital standards for state-chartered, FDIC-insured member banks, such as our bank: a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with minimum requirements of 4% to 5% for all others, and a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, at least one-half of which must be Tier 1 capital. Tier 1 capital consists principally of shareholders' equity. These capital requirements are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, Federal Reserve regulations provide that higher capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." Federal regulations define these capital categories as follows:

	Total Risk-Based Capital Ratio	**Tier 1 Risk-Based Capital Ratio**	**Leverage Ratio**
Well capitalized	10% or above	6% or above	5% or above
Adequately capitalized	8% or above	4% or above	4% or above
Undercapitalized	Less than 8%	Less than 4%	Less than 4%
Significantly undercapitalized	Less than 6%	Less than 3%	Less than 3%
Critically undercapitalized			A ratio of tangible equity to total assets of 2% or less

At September 30, 2009, our bank's ratios exceeded minimum requirements for the well-capitalized category.

In conjunction with its discussions with federal and state regulators, the Board of Directors of our Bank adopted resolutions in December of 2009 requiring our bank to achieve minimum capital ratios that are higher than the minimum requirements described in the Federal Reserve's capital guidelines. See "Recent Developments" above for more information.

Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: requiring the submission of a capital restoration plan; placing limits on asset growth and restrictions on activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest rates the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated debt; and ultimately, appointing a receiver for the institution.

In general, a depository institution may be reclassified to a lower category than is indicated by its capital levels if the appropriate federal depository institution regulatory agency determines the institution to be otherwise in an unsafe or unsound condition or to be engaged in an unsafe or unsound practice. This could include a failure by the institution, following receipt of a less-than-satisfactory rating on its most recent examination report, to correct the deficiency.

Dividends

Under Michigan law, banks are restricted as to the maximum amount of dividends they may pay on their common stock. Our bank may not pay dividends except out of its net income after deducting its losses and bad debts. A Michigan state bank may not declare or pay a dividend unless the bank will have a surplus amounting to at least 20% of its capital after the payment of the dividend.

As a member of the Federal Reserve System, our bank is required to obtain the prior approval of the Federal Reserve Board for the declaration or payment of a dividend if the total of all dividends declared in any year will exceed the total of (a) the bank's retained net income (as defined by federal regulation) for that year, *plus* (b) the bank's retained net income for the preceding two years. Federal law generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. In addition, the Federal Reserve may prohibit the payment of dividends by a bank, if such payment is determined, by reason of the financial condition of the bank, to be an unsafe and unsound banking practice or if the bank is in default of payment of any assessment due to the FDIC.

In addition to these restrictions, in December of 2009, the Board of Directors of our bank adopted resolutions that prohibit our bank from paying any dividends to our holding company without, in each case, the prior written approval of the FRB and the Michigan OFIR. See "Recent Developments" above for more information.

Insider Transactions

Our bank is subject to certain restrictions imposed by the Federal Reserve Act on "covered transactions" with us or our subsidiaries, which include investments in our stock or other securities issued by us or our subsidiaries, the acceptance of our stock or other securities issued by us or our subsidiaries as collateral for loans and extensions of credit to us or our subsidiaries. Certain limitations and reporting requirements are also placed on extensions of credit by our bank to its directors and officers, to our directors and officers and those of our subsidiaries, to our principal shareholders, and to "related interests" of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person becoming one of our directors or officers or a principal shareholder may obtain credit from banks with which our bank maintains a correspondent relationship.

Safety and Soundness Standards

Pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the FDIC adopted guidelines to establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines establish standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

Investment and Other Activities

Under federal law and regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. FDICIA, as implemented by FDIC regulations, also prohibits FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as a principal in any activity that is not permitted for a national bank or its subsidiary, respectively, unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the bank's primary federal regulator determines the activity would not pose a significant risk to the DIF. Impermissible investments and activities must be otherwise divested or discontinued within certain time frames set by the bank's primary federal regulator in accordance with federal law. These restrictions are not currently expected to have a material impact on the operations of our bank.

Consumer Banking

Our bank's business includes making a variety of types of loans to individuals. In making these loans, our Bank is subject to state usury and regulatory laws and to various federal statutes, including the privacy of consumer financial information provisions of the Gramm Leach-Bliley Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, the Home Mortgage Disclosure Act, and the regulations promulgated under these statutes, which (among other things) prohibit discrimination, specify disclosures to be made to borrowers regarding credit and settlement costs, and regulate the mortgage loan servicing activities of our bank, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. In receiving deposits, our bank is subject to extensive regulation under state and federal law and regulations, including the Truth in Savings Act, the Expedited Funds Availability Act, the Bank Secrecy Act, the Electronic Funds Transfer Act, and the Federal Deposit Insurance Act. Violation of these laws could result in the imposition of significant damages and fines upon our Bank and its directors and officers.

Branching Authority

Michigan banks, such as our bank, have the authority under Michigan law to establish branches anywhere in the State of Michigan, subject to receipt of all required regulatory approvals. Banks may establish interstate branch networks through acquisitions of other banks. The establishment of *de novo* interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is allowed only if specifically authorized by state law.

Michigan permits both U.S. and non-U.S. banks to establish branch offices in Michigan. The Michigan Banking Code permits, in appropriate circumstances and with the approval of the Michigan OFIR (1) acquisition of Michigan banks by FDIC-insured banks or savings banks located in other states, (2) sale by a Michigan bank of branches to an FDIC-insured bank or savings bank located in a state in which a Michigan bank could purchase branches of the purchasing entity, (3) consolidation of Michigan banks and FDIC-insured banks or savings banks located in other states having laws permitting such consolidation, (4) establishment of branches in Michigan by FDIC-insured banks located in other states, the District of Columbia or U.S. territories or protectorates having laws permitting a Michigan bank to establish a branch in such jurisdiction, and (5) establishment by foreign banks of branches located in Michigan.

Mepco Finance Corporation

Our subsidiary, Mepco Finance Corporation, is engaged in the business of acquiring (on a full recourse basis) and servicing payment plans used by consumers throughout the United States who have purchased a vehicle service contract and choose to make monthly payments for their coverage. In the typical transaction, no interest or other finance charge is charged to these consumers. As a result, Mepco is generally not subject to regulation under consumer lending laws. However, Mepco is subject to various federal and state laws designed to protect consumers, including laws against unfair and deceptive trade practices and laws regulating Mepco's payment processing activities, such as the Electronic Funds Transfer Act.

Properties

We and our bank operate a total of 121 facilities in Michigan and 1 facility in Chicago, Illinois. The individual properties are not materially significant to us or our Bank's business or to the consolidated financial statements.

With the exception of the potential remodeling of certain facilities to provide for the efficient use of work space or to maintain an appropriate appearance, each property is considered reasonably adequate for current and anticipated needs.

Legal Proceedings

Due to the nature of our business, we are often subject to numerous legal actions. These legal actions, whether pending or threatened, arise through the normal course of business and are not considered unusual or material.

Statistical Disclosures

I. <u>DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL</u>

AVERAGE BALANCES AND TAX EQUIVALENT RATES

	Nine Months Ended September 30,					
	2009			2008		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	(dollars in thousands)					
Assets (1)						
Taxable loans	$ 2,490,900	$ 134,647	7.22%	$ 2,575,809	$ 140,925	7.30%
Tax-exempt loans (2)	8,442	412	6.53	10,969	582	7.09
Taxable securities	114,608	4,913	5.73	152,812	6,558	5.73
Tax-exempt securities (2)	90,843	4,571	6.73	179,914	9,562	7.10
Cash interest bearing	31,467	40	0.17			
Other investments	28,454	822	3.86	32,553	1,185	4.86
Interest Earning Assets	2,764,714	145,405	7.03	2,952,057	158,812	7.18
Cash and due from banks	55,871			53,354		
Other assets, net	158,753			226,367		
Total Assets	$ 2,979,338			$ 3,231,778		
Liabilities						
Savings and NOW	$ 976,571	4,477	0.61	$ 985,938	8,281	1.12
Time deposits	977,943	21,991	3.01	928,304	28,699	4.13
Long-term debt				330	12	4.86
Other borrowings	443,895	12,021	3.62	689,296	20,499	3.97
Interest Bearing Liabilities	2,398,409	38,489	2.15	2,603,868	57,491	2.95
Demand deposits	318,633			300,411		
Other liabilities	80,010			87,530		
	182,286			239,969		

Shareholders equity				
Total liabilities and shareholders equity	$ 2,979,338		$ 3,231,778	
Tax Equivalent Net Interest Income		$ 106,916		$ 101,321
Tax Equivalent Net Interest Income as a Percent of Earning Assets		5.17%		4.58%

(1) All domestic, except for $6.2 million of finance receivables included in taxable loans from customers domiciled in Canada

(2) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%

I. DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (Continued)

CHANGE IN TAX EQUIVALENT NET INTEREST INCOME

	2009 Compared to 2008			2008 Compared to 2007		
	Volume	Rate	Net	Volume	Rate	Net
			(In thousands)			
Increase (decrease) in interest income (1)						
Taxable loans (2)	$ (4,605)	$ (1,673)	$ (6,278)	$ 2,124	$ (17,789)	$ (15,665)
Tax-exempt loans (2,3)	(126)	(44)	(170)	82	(3)	79
Taxable securities (2)	(1,638)	(7)	(1,645)	(2,031)	863	(1,168)
Tax-exempt securities (2,3)	(4,506)	(485)	(4,991)	(4,515)	276	(4,239)
Cash - interest bearing (2)	40		40			
Other investments (2)	(138)	(225)	(363)	249	(303)	(54)
Total interest income	(10,973)	(2,434)	(13,407)	(4,091)	(16,956)	(21,047)
Increase (decrease) in interest expense (1)						
Savings and NOW	(78)	(3,726)	(3,804)	(70)	(8,436)	(8,506)
Time deposits	1,466	(8,174)	(6,708)	(22,342)	(11,515)	(33,857)
Long-term debt	(12)	-	(12)	(97)	5	(92)
Other borrowings	(6,777)	(1,701)	(8,478)	20,619	(7,240)	13,379
Total interest expense	(5,401)	(13,601)	(19,002)	(1,890)	(27,186)	(29,076)
Net interest income	$ (5,572)	$ 11,167	$ 5,595	$ (2,201)	$ 10,230	$ 8,029

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

(2) All domestic except for $6.2 million of finance receivables included in taxable loans from customers domiciled in Canada during 2009.

(3) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%.

COMPOSITION OF AVERAGE INTEREST EARNING ASSETS AND INTEREST BEARING LIABILITIES

	Nine months ended September 30, 2009
As a percent of average interest earning assets	
Loans all domestic	90.4
Other interest earning assets	9.6
Average interest earning assets	100.0
Savings and NOW	35.3
Time deposits	16.2
Brokered CDs	19.2
Other borrowings and long-term debt	16.1
Average interest bearing liabilities	86.8
Earning asset ratio	92.8
Free-funds ratio	13.2

II. INVESTMENT PORTFOLIO

(A) The following table sets forth the book value of securities at the dates indicated:

	Sept. 30, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
		(in thousands)		
Trading Preferred stock	$ 90	$ 1,929		
Available for sale				
U.S. Treasury				$ 4,914
States and political subdivisions	$ 78,116	$ 105,553	$ 208,132	244,284
Mortgage-backed	84,591	84,916	109,479	130,195
Other asset-backed	5,842	7,421	10,400	12,508
Trust preferred	15,455	12,706	9,985	11,259
Preferred stock	0	4,816	24,198	29,625
Other			2,000	2,000
Total	$ 184,004	$ 215,412	$ 364,194	$ 434,785

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II. <u>INVESTMENT PORTFOLIO</u> (Continued)

(B) The following table sets forth contractual maturities of securities at September 30, 2009 and the weighted average yield of such securities:

	Maturing Within One Year		Maturing After One But Within Five Years		Maturing After Five But Within Ten Years		M T
	Amount	Yield	Amount	Yield	Amount	Yield	Am
			(dollars in thousands)				
Trading Preferred stock							
Tax equivalent adjustment for calculations of yield							
Available for sale							
States and political subdivisions	$2,596	7.29%	$15,528	7.36%	$ 28,737	6.53%	31
U.S. agency mortgage-backed	233	4.96	32,581	4.37	8,780	6.75	9
Private label mortgage-backed	612	4.83	27,214	4.83	6,098	5.09	
Other asset-backed			5,842	6.96			
Trust preferred							15
Preferred stock							
Total	$3,441	6.70%	$81,165	5.28%	$43,615	6.37%	$55
Tax equivalent adjustment for calculations of yield	$66		$399		$657		$

The rates set forth in the tables above for obligations of state and political subdivisions and preferred stock have been restated on a tax equivalent basis assuming a marginal tax rate of 35%. The amount of the adjustment is as follows:

	Tax-Exempt Rate	Adjustment	Rate on Tax Equivalent Basis
Trading After 10 years	0.00%	0.00%	0.00 %
Available for sale			
Under 1 year	4.74%	2.55%	7.29 %
1-5 years	4.78	2.58	7.36
5-10 years	4.25	2.28	6.53
After 10 years	4.15	2.23	6.38

III. LOAN PORTFOLIO

(A) The following table sets forth total loans outstanding at the dates indicated:

	Sept. 30, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
			(in thousands)			
Loans held for sale	$ 23,980	$ 27,603	$ 33,960	$ 31,846	$ 28,569	$ 38,756
Real estate mortgage	770,297	839,496	873,945	865,522	852,742	773,609
Commercial	863,556	976,391	1,066,276	1,083,921	1,030,095	931,251
Installment	318,185	356,806	368,478	350,273	304,053	266,042
Finance receivables	435,191	286,836	209,631	160,171	178,286	109,732
Total Loans	$2,411,209	$ 2,487,132	$ 2,552,290	$ 2,491,733	$ 2,393,745	$ 2,119,390

The loan portfolio is periodically and systematically reviewed, and the results of these reviews are reported to the Board of Directors of our Bank. The purpose of these reviews is to assist in assuring proper loan documentation, to facilitate compliance with consumer protection laws and regulations, to provide for the early identification of potential problem loans (which enhances collection prospects) and to evaluate the adequacy of the allowance for loan losses.

(B) The following table sets forth scheduled loan repayments (excluding 1-4 family residential mortgages and installment loans) at September 30, 2009:

	Due Within One Year	Due After One But Within Five Years	Due After Five Years	Total
			(in thousands)	
Real estate mortgage	$ 36,531	$ 21,895	$ 6,315	$ 64,741
Commercial	384,334	411,470	67,752	863,556
Finance receivables	116,072	319,119	_____	435,191
Total	$536,937	$752,484	$74,067	$1,363,488

The following table sets forth loans due after one year which have predetermined (fixed) interest rates and/or adjustable (variable) interest rates at September 30, 2009:

	Fixed Rate	Variable Rate	Total

	(in thousands)		
Due after one but within five years	$730,744	$21,740	$752,484
Due after five years	67,807	6,260	74,067
Total	$798,551	$28,000	$826,551

The following table sets forth scheduled loan repayments (excluding 1-4 family residential mortgages and installment loans) at December 31, 2008:

	Due Within One Year	Due After One But Within Five Years	Due After Five Years	Total
		(in thousands)		
Real estate mortgage	$ 45,153	$ 33,512	$ 7,676	$ 86,341
Commercial	457,366	439,516	79,509	976,391
Finance receivables	113,380	173,456		286,836
Total	$ 615,899	$ 646,484	$ 87,185	$ 1,349,568

III. LOAN PORTFOLIO (Continued)

The following table sets forth loans due after one year which have predetermined (fixed) interest rates and/or adjustable (variable) interest rates at December 31, 2008:

	Fixed Rate	Variable Rate (in thousands)	Total
Due after one but within five years	$ 613,097	$ 33,387	$ 646,484
Due after five years	80,747	6,438	87,185
Total	$ 693,844	$ 39,825	$ 733,669

(C) The following table sets forth loans on non-accrual, loans ninety days or more past due and troubled debt restructured loans at the date indicated:

	Sept. 30, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2004
			(in thousands)			
(a) Loans accounted for on a non-accrual basis (1,2)	$ 113,003	122,639	$ 72,682	$ 35,683	$ 11,546	$ 11,119
(b) Aggregate amount of loans ninety days or more past due (excludes loans in (a) above)	4,468	2,626	4,394	3,479	4,862	3,123
(c) Loans not included above which are "troubled debt restructurings" as defined in Statement of Financial Accounting Standards No. 15 (2)	35,545	9,160	173	60	84	218
Total	$ 153,016	$134,425	$ 77,249	$ 39,222	$ 16,492	$ 14,460

(1) The accrual of interest income is discontinued when a loan becomes 90 days past due and the borrower's capacity to repay the loan and collateral values appear insufficient. Non-accrual loans may be restored to accrual status when interest and principal payments are current and the loan appears otherwise collectible.

(2) Interest in the amount of $5,612,000 would have been earned in the 9-month period ended September 30, 2009 had loans in categories (a) and (c) remained at their original terms; however, only $175,000 was included in interest income for such period with respect to these loans.

Other loans of concern identified by the loan review department which are not included as non-performing totaled approximately $18,403,000 at September 30, 2009. These loans involve circumstances which have caused management to place increased scrutiny on the credits and may, in some instances, represent an increased risk of loss.

At September 30, 2009, there was no concentration of loans exceeding 10% of total loans which is not already disclosed as a category of loans in this section "Loan Portfolio" (Item III(A)).

There were no other interest-bearing assets at September 30, 2009, that would be required to be disclosed above (Item III(C)), if such assets were loans.

There were no foreign loans outstanding at September 30, 2009.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

(A) The following table sets forth loan balances and summarizes the changes in the allowance for loan losses for each of the periods indicated:

	9-months ended Sept. 30, 2009	12-months ended Dec. 31, 2008	12-months ended Dec. 31, 2007	12-months ended Dec. 31, 2006
	(dollars in thousands)			
Total loans outstanding at the end of the year (net of unearned fees)	$2,411,209	$2,487,132	$2,552,290	$2,491,733
Average total loans outstanding for the year (net of unearned fees)	$2,472,114	$2,569,368	$2,541,305	$2,472,091

	Loan Losses	Unfunded Commit-ments	Loan Losses	Unfunded Commit-ments	Loan Losses	Unfunded Commit-ments	Loan Losses	Unfunded Commit-ments
Balance at beginning of year	$ 57,900	$ 2,144	$ 45,294	$ 1,936	$ 26,879	$ 1,881	$ 22,420	$ 1,820
Loans charged-off								
Real estate mortgage	16,587		11,942		6,644		2,660	
Commercial	42,421		43,641		14,236		6,214	
Installment	5,506		6,364		5,943		4,913	
Finance receivables	14		1,015		213		274	
Total loans charged-off	64,528		62,962		27,036		14,061	
Recoveries of loans previously charged-off								
Real estate mortgage	647		318		381		215	
Commercial	499		1,800		328		496	
Installment	982		1,340		1,629		1,526	
Finance receivables	2		31		8			
Total recoveries	2,130		3,489		2,346		2,237	
Net loans charged-off	62,398		59,473		24,690		11,824	
Additions to allowance charged to operating	78,208	(292)	72,079	208	43,105	55	16,283	61

expense																
Balance at end of year	$	73,710	$	1,852	$	57,900	$	2,144	$	45,294	$	1,936	$	26,879	$	1,881
Net loans charged-off as a percent of average loans outstanding (includes loans held for sale) for the year		2.52%				2.31%				.97%				.48%		
Allowance for loan losses as a percent of loans outstanding (includes loans held for sale) at the end of the year		3.06				2.33				1.77				1.08		

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IV. SUMMARY OF LOAN LOSS EXPERIENCE (Continued)

	12-months ended Dec. 31, 2005	12-months ended Dec. 31, 2004
	(dollars in thousands)	
Total loans outstanding at the end of the year (net of unearned fees)	$2,393,745	$2,119,390
Average total loans outstanding for the year (net of unearned fees)	$2,268,846	1,893,007

	Loan Losses	Unfunded Commit-ments	Loan Losses	Unfunded Commit-ments
Balance at beginning of year	$ 24,162	$ 1,846	$ 16,455	$ 892
Loans charged-off				
Real estate mortgage	1,611		677	
Commercial	5,141		849	
Installment	4,246		3,194	
Finance receivables	94		112	
Total loans charged-off	11,092		4,832	
Recoveries of loans previously charged-off				
Real estate mortgage	97		39	
Commercial	226		190	
Installment	1,195		1,012	
Finance receivables				
Total recoveries	1,518		1,241	
Net loans charged-off	9,574		3,591	
Additions to allowance charged to operating expense	7,832	(26)	3,062	954
Allowance on loans from business acquired			8,236	
Balance at end of year	$ 22,420	$ 1,820	$ 24,162	$ 1,846

Net loans charged-off as a percent of average loans outstanding (includes loans held for sale) for the year	.42%	.19%
Allowance for loan losses as a percent of loans outstanding (includes loans held for sale) at the end of the year	.94	1.14

The allowance for loan losses reflected above is a valuation allowance in its entirety and the only allowance available to absorb probable loan losses.

Further discussion of the provision and allowance for loan losses (a critical accounting policy) as well as non-performing loans, is presented in "Management's Discussion and Analysis of Financial Condition and Results of Operations" above.

IV. SUMMARY OF LOAN LOSS EXPERIENCE (Continued)

(B) We have allocated the allowance for loan losses to provide for the possibility of losses being incurred within the categories of loans set forth in the table below. The amount of the allowance that is allocated and the ratio of loans within each category to total loans at the dates indicated follows:

	Sept. 30, 2009		Dec. 31, 2008		Dec. 31, 2007	
	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans
			(dollars in thousands)			
Commercial	$ 37,884	35.8%	$ 33,090	39.3%	$ 27,829	41.8%
Real estate mortgage	15,339	32.9	8,729	34.9	4,657	35.6
Installment	5,528	13.2	4,264	14.3	3,224	14.4
Finance receivables	755	18.1	486	11.5	475	8.2
Unallocated	14,204		11,331		9,109	
Total	$ 73,710	100.0%	$ 57,900	100.0%	$ 45,294	100.0%

	Dec. 31, 2006		Dec. 31, 2005		Dec. 31, 2004	
	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans	Allowance Amount	Percent of Loans to Total Loans
			(dollars in thousands)			
Commercial	$ 15,010	43.5%	$ 11,735	43.0%	$ 13,640	43.9%
Real estate mortgage	1,645	36.0	1,156	36.8	988	38.3
Installment	2,469	14.1	2,835	12.7	2,769	12.6
Finance receivables	292	6.4	293	7.5	394	5.2
Unallocated	7,463		6,401		6,371	

Total	$ 26,879	100.0%	$ 22.420	100.0%	$ 24,162	100.0%

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V. DEPOSITS

The following table sets forth average deposit balances and the weighted-average rates paid thereon for the periods indicated:

	9-months ended Sept. 30, 2009		12-months ended Dec. 31, 2008		12-months ended Dec. 31, 2007		12-months ended Dec. 31, 2006	
	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate	Average Balance	Rate
	(dollars in thousands)							
Non-interest bearing demand	$ 318,633		$ 301,117		$ 300,886		$ 279,279	
Savings and NOW	976,571	0.61%	968,180	1.06%	971,807	1.93%	864,528	1.57%
Time deposits	977,943	3.01	917,403	3.97	1,439,177	4.88	1,405,850	4.32
Total	$ 2,273,147	1.56%	$ 2,186,700	2.14%	$ 2,711,870	3.28%	$ 2,549,657	2.91%

The following table summarizes time deposits in amounts of $100,000 or more by time remaining until maturity at September 30, 2009:

	(in thousands)
Three months or less	$ 51,622
Over three through six months	18,421
Over six months through one year	28,668
Over one year	57,994
Total	$ 156,705

VI. RETURN ON EQUITY AND ASSETS

The ratio of net income (loss) to average shareholders' equity and to average total assets, and certain other ratios, for the periods indicated follow:

9-months ended Sept. 30, 2009	2008	2007	2006	2005	2004

Income (loss) from continuing operations as a percent of (1)						
Average common equity	(73.46)%	(39.01)%	3.96%	13.06%	18.63%	20.30%
Average total assets	(2.59)	(2.88)	0.31	0.99	1.42	1.48
Net income (loss) as a percent of (1)						
Average common equity	(73.46)%	(39.01)%	4.12	12.82	19.12	19.42
Average total assets	(2.59)	(2.88)	0.32	0.97	1.45	1.42
Dividends declared per share as a percent of diluted net income per share	NM	NM	186.67	54.55	36.04	35.93
Average shareholders' equity as a percent of average total assets	6.12	7.50	7.72	7.60	7.61	7.31

(1) For 2009 and 2008, these amounts are calculated using loss from continuing operations applicable to common stock and net loss applicable to common stock.

NM Not meaningful.

Additional performance ratios are set forth in "Selected Consolidated Financial Data" above. Any significant changes in the current trend of the above ratios are reviewed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" above.

VII. SHORT-TERM BORROWINGS

Short-term borrowings are discussed in note 10 to the consolidated financial statements included at page 56 of this prospectus.

MANAGEMENT

Executive Officers and Directors

Listed below are the executive officers and directors of the Company as of December 31, 2009.

Name (Age)	Position
Jeffrey A. Bratsburg (age 66)	Chairman of the Board of Directors
Michael M. Magee, Jr. (53)	President, Chief Executive Officer and Director
James E. McCarty (age 62)	Director
Donna J. Banks, Ph.D. (age 53)	Director
Robert L. Hetzler (age 64)	Director
Charles C. Van Loan (age 62)	Director
Stephen L. Gulis, Jr. (age 52)	Director
Terry L. Haske (age 61)	Director
Clarke B. Maxson (age 69)	Director
Charles A. Palmer (age 65)	Director
Robert N. Shuster (52)	Executive Vice President and Chief Financial Officer
Stefanie M. Kimball (50)	Executive Vice President and Chief Lending Officer
William B. Kessel (45)	Executive Vice President and Chief Operating Officer
David C. Reglin (50)	Executive Vice President, Retail Banking
Richard E. Butler (58)	Senior Vice President, Operations
Mark L. Collins (52)	Senior Vice President, General Counsel
Peter R. Graves (52)	Senior Vice President, Chief Information Officer
James J. Twarozynski (44)	Senior Vice President, Controller

Mr. Bratsburg is the Chairman of the Board of Directors of Independent Bank Corporation. Mr. Bratsburg served as President and CEO of Independent Bank West Michigan (one of our former subsidiary banks whose charter was consolidated with the charter of Independent Bank in 2007) from 1985 until his retirement in 1999. He became a Director in 2000.

Mr. Magee is the President and Chief Executive Officer of Independent Bank Corporation. Prior to his appointment as President and CEO as of January 1, 2005, Mr. Magee served as Chief Operating Officer since February 2004 and prior to that he served as President and Chief Executive Officer of Independent Bank since 1993 (prior to the consolidation of our four banks into Independent Bank). He became a Director in 2005.

Mr. McCarty is the retired President of McCarty Communications (commercial printing). He became a Director in 2002.

Dr. Banks is a retired Senior Vice President of the Kellogg Company. She became a Director in 2005.

Mr. Hetzler is the retired President of Monitor Sugar Company (food processor). He became a Director in 2000.

Mr. Van Loan served as President and CEO of Independent Bank Corporation from 1993 until 2004 and as executive Chairman during 2005. He retired on December 31, 2005. He became a Director in 1992.

Mr. Gulis is the retired Executive Vice President and President of Wolverine Worldwide Global Operations Group. He became a Director in 2004.

Mr. Haske is a CPA and Principal with Anderson, Tuckey, Bernhardt & Doran, P.C. since 2008. Prior to 2008 he was the President of Ricker & Haske, CPAs, and P.C. He became a Director in 1996.

Mr. Maxson served as Chairman, President and CEO of Midwest Guaranty Bancorp, Inc. ("Midwest") from its founding in 1988 until July 2004 when he retired. Midwest was acquired by Independent Bank Corporation in July 2004, at which time Mr. Maxson joined the Board of Directors of Independent Bank East Michigan (which merged into Independent Bank in September 2007). He was appointed as a Director of the Company in September 2007.

Mr. Palmer is an attorney and a professor of law at Thomas M. Cooley Law School. He became a Director in 1991.

Mr. Shuster has served as Executive Vice President and the Chief Financial Officer of Independent Bank Corporation since 2001. Prior to joining Independent Bank Corporation, Mr. Shuster was President and CEO of Independent Bank MSB, which was acquired by Independent Bank Corporation in 1999.

Ms. Kimball, prior to being named Executive Vice President and Chief Lending Officer in 2007, was a Senior Vice President at Comerica Incorporated since 1998.

Mr. Kessel, prior to being named Executive Vice President and Chief Operations Officer in 2007, was President and Chief Executive Officer of Independent Bank since 2004 (prior to the consolidation of our four banks into Independent Bank) and was Senior Vice President since 1996.

Mr. Reglin was named Executive Vice President for Retail Banking in 2007. Prior to that, Mr. Reglin had served as President and CEO of Independent Bank West Michigan since 1998, which was consolidated with Independent Bank in 2007.

Mr. Butler joined Independent Bank in 1998 as Senior Vice President. Prior to that time, he served as Vice President of Mortgage Servicing Operations at the former First of America Bank Michigan, N.A.

Mr. Collins, prior to being named Senior Vice President, General Counsel in 2009, was a Partner with Varnum LLP, a Grand Rapids, Michigan based law firm, where he specialized in commercial law.

Mr. Graves served as Vice President of our Commercial Loan Services Department until 1999, when he was appointed as Senior Vice President. He was appointed as Chief Information Officer in 2007.

Mr. Twarozynski was appointed Senior Vice President in 2002 and served as Vice President and Controller prior to that time.

Executive Compensation

Compensation Discussion and Analysis

Overview and Objectives

The primary objectives of our executive compensation program are to (1) attract and retain talented executives, (2) motivate and reward executives for achieving our business goals, (3) align our executives' incentives with our strategies and goals, as well as the creation of shareholder value, and (4) provide competitive compensation at a reasonable cost. Consequently, our executive compensation plans are designed to achieve these objectives.

As described in more detail below, our executive compensation program has three primary components: base salary; an annual cash incentive bonus; and long-term incentive compensation that is payable in cash, stock options and stock grant awards. The compensation committee of our Board has not established policies or guidelines with respect to the specific mix or allocation of total compensation among base salary, annual incentive bonuses, and long-term compensation. However, as part of our long-standing "pay-for-performance" compensation philosophy, we typically set the base salaries of our executives somewhat below market median base salaries in return for above market median incentive opportunities. We believe that this approach has served the Company well over the years. Combined, our five Named Executives have served the Company for a total of 84 years.

The compensation committee of the Board has utilized the services of third-party consultants from time to time to assist in the design of our executive compensation programs and render advice on compensation matters generally. In 2006, the compensation committee engaged the services of Mercer Human Resource Consulting ("Mercer") to review our executive compensation programs. As part of those services, Mercer (1) reviewed our existing compensation strategies and plans, (2) conducted a study of peer group compensation, including the competitiveness and effectiveness of each element of our compensation program, as well as our historical performance relative to that peer group, and (3) recommended changes to our compensation program, including those directly applicable to our executive officers. Neither the Company, the Board, nor any committee of the Board retained any compensation consultants during 2009.

Restrictions on Executive Compensation Under Federal Law

On December 12, 2008, the Company sold $72 million of its preferred stock and warrants to Treasury under the Capital Purchase Program of the Troubled Asset Relief Program ("TARP"). Participants in TARP are subject to a number of limitations and restrictions on executive compensation, including certain provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). Under the ARRA, Treasury established standards regarding executive compensation relative to the requirements listed below on June 15, 2009. The substance of this Compensation Discussion and Analysis is based upon the existing guidance issued by Treasury. The compensation committee of our Board conducted the required review of our Named Executives incentive compensation arrangements with our senior risk officers, within the ninety day period following our sale of securities with Treasury under TARP.

As a general matter, until such time that the Company is no longer a TARP participant, we will be subject to the following requirements, among others:

- Our incentive compensation program may not include incentives for our Named Executives (defined below) to take unnecessary and excessive risks that threaten the value of the Company;

- The Company is entitled to recover any bonus, retention award, or incentive compensation paid to any of its 25 most highly compensated employees based upon statements of earnings, revenues, gains, or other criteria that are later found to be materially inaccurate;

- The Company is prohibited from making any golden parachute payments to any of its 10 most highly compensated employees;

- The Company is prohibited from paying to any Named Executive or the next 20 most highly compensated employees any tax "gross-ups" on compensation such as perquisites.

- Our compensation program may not encourage the manipulation of reported earnings to enhance the compensation of our employees;

- The Company may not pay or accrue any bonus, retention award, or incentive compensation to any of our Named Executives, other than payments made in the form of restricted stock, subject to the further condition that any such awards may not vest while the Company is a participant in TARP and that any award not have a value greater than one-third of the Named Executives total annual compensation; and

- Our shareholders must be given the opportunity to vote on an advisory (non-binding) resolution at the Annual Meeting to approve the compensation of our executives.

The foregoing discussion is intended to provide a background and context for the information that follows regarding our existing compensation programs to those persons who served as our executive officers during 2009 and to assist in understanding the information included in the executive compensation tables included below.

Components of Compensation

The principal components of compensation we pay to our executives consist of the following:

- Base Salary;

- Annual Cash Incentive; and

- Long-Term Incentive Compensation, generally payable in the form of a combination of cash, stock options and restricted stock.

Base Salary

Base salaries are established each year for our executive officers. None of our executive officers has a separate employment agreement. In determining base salaries, we consider a variety of factors. Peer group compensation is a primary factor, but additional factors include an individual's performance, experience, expertise, and tenure with the Company. The executive compensation review conducted by Mercer, including its update in 2008, revealed that the base salaries of most of our executives are at or below competitive rates and market median levels.

Each year the compensation committee recommends the base salary for our President and CEO for consideration and approval by the full Board. For 2009, the committee approved management's recommendation to freeze the base salary levels of all of our executive officers, including Mr. Magee. Similarly, for 2010, the base salary levels of our Named Executives were frozen at the 2008 levels. Accordingly, Mr. Magee's salary of $382,000 has remained unchanged since 2008.

The base salaries of other executive officers are established by our President and CEO. In setting base salaries, our President and CEO considers peer group compensation, as well as the individual performance of each respective executive officer. For the reasons noted above, the base salaries of our other Named Executives for 2009 remained unchanged from 2008 and were as follows: Mr. Shuster $230,000; Mr. Reglin $226,000; Mr. Kessel $226,000; and Ms. Kimball $226,000. These salaries will remain the same for 2010.

Annual Cash Incentives

Annual cash incentives are paid under the terms of our Management Incentive Compensation Plan. This Plan sets forth performance incentives that are designed to provide for annual cash awards that are payable if we meet or exceed the annual performance objectives established by our Board. Under this Plan, our Board establishes annual performance levels as follows: (1) threshold represents the performance level of what must be achieved before any incentive awards are payable; (2) target performance is defined as a desired level of performance in view of all relevant factors, as described in more detail below; and (3) the maximum represents that which reflects outstanding performance. As noted above, target performance under this Plan is intended to provide for aggregate annual cash compensation (salary and bonus) that approximates peer level compensation.

Threshold performance would result in earning 50 percent of the target incentive, target would be 100 percent, and maximum would be 200 percent, with compensation prorated between these award levels. Target incentive is defined as 65 percent of base salary for our CEO and 50 percent of base salary for our other Named Executives.

For 2009, 75 percent of the performance goal was based upon Company performance, while 25 percent was based upon predetermined individual goals. The corporate performance standards for 2009 were based upon the Company's success in after-tax EPS, its success in reducing its loan loss provision and success in growing core deposits. Each of the factors were weighted 25 percent. For 2009, the performance goals for the Company were as follows:

	EPS	Loan Loss Provision	Core Deposits
Threshold	$ 0.00	$ 51 million	$ 1.9 billion
Target	0.30	45 million	2.0 billion
Maximum	1.00	16 million	2.2 billion

Following the adoption of the ARRA, discussed above, none of the Named Executives are currently eligible to receive any payments under our annual Management Incentive Compensation Plan. Given the Company's performance during 2009, no bonuses were paid to any of our employees for 2009. Annually, the committee is to set these performance goals not later than the 60th day of each year. The performance goals for 2010 have not been established. The awards are paid in full following certification of the Company's financial results for the performance period.

Long-Term Incentive Program

Following the committee's and Board's review and analysis of the Mercer report, effective January 1, 2007, the Board adopted a long-term incentive program that includes three separate components: stock options, restricted stock, and long-term cash, each of which comprise one-third of the total long-term incentive grant each year. The target value of the cumulative amount of these awards is set at 100 percent of our CEO's salary and 50 percent for each of our other Named Executives. Because the first possible payout under the cash portion of the long-term program cannot be made until 2010 (the year after the first three-year performance period), the committee elected to grant stock options and restricted stock having a value equal to the aggregate target bonuses under the long-term incentive program for both 2007 and 2008. For 2009, and as explained in more detail below, the committee authorized only the grant of stock options under this program at a target value well below two-thirds of the target bonus.

Cash Incentive Elements. The committee adopted performance goals for the cash portion of this long-term incentive program, based upon the Company's three-year total shareholder return (TSR). TSR is determined by dividing the sum of our stock price appreciation and dividends by our stock price at the beginning of the performance period. The first performance period is the three year period beginning January 1, 2007. For purposes of determining achievement, the Company's TSR is measured against the Nasdaq Bank Index median TSR over the same period. The committee established the three target levels of performance, with threshold at the 50th percentile, target at the 70th percentile and maximum at the 90th percentile.

Equity-Based Incentive Element. The other two-thirds of the program are made up of stock options and shares of restricted stock, each of which are awarded under the terms of our Long-Term Incentive Plan. As a general practice, these awards are recommended by the committee, and approved by the Board, at the Board's first meeting in each calendar year and after the announcement of our earnings for the immediately preceding year. Under this Plan, the committee has the authority to grant a wide variety of stock-based awards. The exercise price of options granted under this Plan may not be less than the fair market value of our common stock at the date of grant; options are restricted as to transferability and generally expire ten years after the date of grant. The Plan is intended to assist our executive officers in the achievement of our share ownership guidelines. Under these guidelines (1) our CEO is expected to own Company stock having a market value equal to twice his base salary, (2) our executive vice presidents are to own stock having a market value of not less than 125 percent of their respective base salaries, and (3) our senior vice presidents are to own stock having a market value of not less than 50 percent of their respective base salaries. Once these guidelines are achieved, the failure to maintain the guidelines due to decreases in the market value of our common stock does not mandate additional purchases; rather, further sales of our common stock are prohibited until the employee again reaches the required level of ownership. Not more than 75 percent of the shares held by an executive in our ESOP may count toward the achievement of these guidelines, and only "in the money" stock options granted after January 1, 2004, count as well. These guidelines apply ratably over a five-year period commencing January 1, 2004, or the date of hire or promotion to one of these positions.

The value of the options that make up one-third of our long-term incentive program are measured under ASC topic 718, "Compensation - Stock Compensation" and vest ratably over three years. The value of the shares of the restricted stock that make up the final one-third of our long-term incentive program is based upon the grant date value of the shares of our common stock. These shares do not vest until the fifth anniversary of the grant date.

Due to the limited number of shares available for issuance under the terms of our Long-Term Incentive Plan, the committee elected to grant the entire amount of the equity portion of the long-term incentive program in the form of restricted shares of common stock for 2008. The value of the shares of restricted stock, based upon the grant date values, equaled 100 percent of our CEO's base compensation and 50 percent of the base compensation of each of our other Named Executives. As of the time of the annual grant for equity-based awards under the Plan in 2009, there remained approximately 300,000 shares available for grant under the Plan. Due to the limited number of remaining shares available for award, and due to the fact that the committee utilized restricted stock awards exclusively in 2008, the committee approved the grant of options covering a total of 299,987 shares for 2009, which were allocated among participants in accordance with their respective target bonuses under the Long-Term Incentive Program. Based upon the restrictions imposed by ARRA, our Named Executives may only receive awards under the Plan in the form of restricted stock, subject to the further limitation that those shares may not vest while the Company is a TARP participant and the value of any award may not exceed one-third of that employee's total annual compensation. No awards under the Long-Term Incentive Program have been made or authorized for 2010.

Severance and Change in Control Payments

The Company has in place Management Continuity Agreements for each of our executive officers. These agreements provide severance benefits if an individual's employment is terminated within 36 months after a change in control or within six months before a change in control and if the individual's employment is terminated or constructively terminated in contemplation of a change in control for three years thereafter. For purposes of these agreements, a "change in control" is defined to mean any occurrence reportable as such in a proxy statement under applicable rules of the SEC, and would include, without limitation, the acquisition of beneficial ownership of 20 percent or more of our voting securities by any person, certain extraordinary changes in the composition of our Board, or a merger or consolidation in which we are not the surviving entity, or our sale or liquidation.

Severance benefits are not payable if an individual's employment is terminated for cause, employment terminates due to an individual's death or disability, or the individual resigns without "good reason." An individual may resign with "good reason" after a change in control and receive his or her severance benefits if an individual's salary or bonus is reduced, his or her duties and responsibilities are inconsistent with his or her prior position, or there is a material, adverse change in the terms or conditions of the individual's employment. The agreements are for self-renewing terms of three years unless we elect not to renew the agreement. The agreements are automatically extended for a three-year term from the date of a change in control. These agreements provide for a severance benefit in a lump sum payment equal to 18 months to three years' salary and bonus and a continuation of benefits' coverage for 18 months to three years. These benefits are limited, however, to one dollar less than three times an executive's "base amount" compensation as defined in Section 280G of the Internal Revenue Code of 1986, as amended.

Following the adoption of the ARRA, discussed above, none of the 10 most highly compensated employees will be eligible to receive any severance or change in control benefits due to the prohibition related to "golden parachute payments" for the period during which any obligation arising under TARP remains outstanding.

Other Benefits

We believe that other components of our compensation program, which are generally provided to other full-time employees, are an important factor in attracting and retaining highly qualified personnel. Executive officers are eligible to participate in all of our employee benefit plans, such as medical, group life and accidental death and dismemberment insurance and our 401(k) Plan, and in each case on the same basis as other employees. We also maintain an ESOP that provides substantially all full-time employees with an equity interest in our Company. Contributions to the ESOP are determined annually and are subject to the approval of our Board. No Company contributions were made to the plan for the year ended December 31, 2009.

Perquisites

Our Board and compensation committee regularly reviews the perquisites offered to our executive officers. The committee believes that the cost of such perquisites is relatively minimal. Under the standards established by Treasury on June 15, 2009, we may not pay to any Named Executive or the next 20 most highly compensated employees any tax "gross-ups" on compensation such as perquisites.

Summary Compensation Table 2009

The following table shows certain information regarding the compensation for our Chief Executive Officer, Chief Financial Officer, and the three most highly compensated executive officers other than our CEO and CFO (the "Named Executives").

Name and Principal Position	Year	Salary(1)	Bonus	Stock Awards(2)	Option Awards(2)	Non-Equity Incentive Plan Compensation	All Other Compensation(3)	Totals
Michael M. Magee	2009	$382,000		$	$ 42,677	$	$ 26,853	$ 451,530
	2008	382,000		349,996			35,904	767,900
President and Chief Executive Officer	2007	350,000		174,995	174,998	51,186	21,878	773,057
Robert N. Shuster	2009	230,000			12,848		28,959	271,807
	2008	230,000		109,994			24,318	364,312
Executive Vice President and Chief Financial Officer	2007	220,000		54,994	54,999	39,600	21,051	390,644
David C. Reglin	2009	226,000			12,624		24,612	263,236
	2008	226,000		109,994			27,415	363,409
Executive Vice President - Retail Banking	2007	220,000		54,994	54,999	33,000	24,017	381,010
Stefanie M. Kimball(4)	2009	226,000			12,624		14,414	253,038
	2008	226,000		99,999			16,558	342,557
Executive Vice President - Chief Lending Officer	2007	130,769		49,987	49,997	25,000	3,399	259,152
William B. Kessel	2009	226,000			12,624		22,363	260,987
	2008	226,000		107,499			27,431	360,930

Executive Vice President - Chief Operations Officer	2007	215,000		53,742	53,748	32,500	25,494	380,484

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(1) Includes elective deferrals by employees pursuant to Section 401(k) of the Internal Revenue Service Code and elective deferrals pursuant to a non-qualified deferred compensation plan.

(2) Amounts set forth in the stock award and option award columns represent the aggregate fair value of the awards as of the grant date, computed in accordance with FASB ASC topic 718, "Compensation - Stock Compensation." The assumptions used in calculating these amounts are set forth in Note 15, in the Company's consolidated financial statements for the year ended December 31, 2009, included in this prospectus.

(3) Amounts include our contributions to the ESOP (subject to certain age and service requirements, all employees are eligible to participate in the plan), matching contributions to qualified defined contribution plans, IRS determined personal use of company owned automobiles, country club and other social club dues and restricted stock dividends.

(4) Ms. Kimball began employment with us on April 25, 2007.

Grants of Plan-Based Awards 2009

This table sets forth information on equity awards granted by the Company to the Named Executives during 2009 under our Long-Term Incentive Plan. The Compensation Discussion and Analysis provides further details on these awards under the Long-Term Incentive Plan. As noted in the Compensation Discussion and Analysis, our Named Executives are not eligible to participate in our Management Incentive Compensation Plan.

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name	**Grant Date**	**Threshold $**	**Target $**	**Maximum $**	**Threshold $**	**Target $**	**Maximum $**	**All Other Stock Awards: Number of Shares of Stock or Units**	**All Other Option Awards: Number of Securities Underlying Options(2)**	**Exercise Base Price of Option Awards ($/Sh)(3)**	**Grant Date Fair Value of Stock and Option Awards ($)(4)**
Michael M. Magee	1/30/09	(1)58,333	116,667	233,334					61,655	$1.59	$42,677
Robert N. Shuster	1/30/09	(1)18,333	36,667	73,333					18,561	1.59	12,848
David C. Reglin	1/3009	(1)18,333	36,667	73,333					18,238	1.59	12,624
Stefanie M. Kimball	1/30/09	(1)16,667	33,333	66,667					18,238	1.59	12,624