

INDEPENDENT BANK CORP /MI/
Form PRE 14A
March 12, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

INDEPENDENT BANK CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on

which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

SEC 1913
(02-02)

Independent Bank Corporation
230 West Main Street
Ionia, Michigan 48846

March xx, 2010

Dear Fellow Shareholder,

It is our pleasure to invite you to attend the 2010 Annual Meeting of Shareholders of Independent Bank Corporation at 3:00 p.m., Eastern Time, on Tuesday, April 27, 2010 at Watt Auditorium, 438 Union Street, Ionia, Michigan 48846.

The Annual Report, which we mailed to you, summarizes Independent Bank Corporation's major developments during 2009 and includes the 2009 consolidated financial statements.

Whether or not you plan to attend the Annual Meeting, please complete and mail the enclosed proxy card promptly so that your shares will be voted as you desire. **You may also vote by telephone or by the Internet by following the instructions for using the automated telephone and Internet voting systems provided on the proxy card.**

Sincerely,

Michael M. Magee, Jr.
President and Chief Executive Officer

INDEPENDENT BANK CORPORATION

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
APRIL 27, 2010**

Date: April 27, 2010
Time: 3:00 p.m., Eastern Time
Place: Watt Auditorium
438 Union Street
Ionia, Michigan 48846

We invite you to attend the Independent Bank Corporation Annual Meeting of Shareholders to:

1. Elect three directors to serve three-year terms expiring in 2013;
2. Ratify the appointment of Crowe Horwath LLP as independent auditors for the fiscal year ending December 31, 2010;
3. Consider and vote upon a proposal to amend our Amended and Restated Articles of Incorporation to effect a one (1) for ten (10) reverse split of our common stock;
4. Participate in an advisory (non-binding) vote to approve the compensation of our executives, as disclosed in this Proxy Statement;
5. Grant management the authority to adjourn, postpone or continue the Annual Meeting; and
6. Transact any other business that is properly submitted before the Annual Meeting or any adjournments or postponements of the Annual Meeting.

The record date for the Annual Meeting is February 26, 2010 (the Record Date). Only shareholders of record at the close of business on that date can vote at the Annual Meeting. We mailed this Notice of Annual Meeting to those shareholders. Action may be taken at the Annual Meeting on any of the foregoing proposals on the date specified above or any date or dates to which the Annual Meeting may be adjourned or postponed.

We will have a list of shareholders who can vote at the Annual Meeting available for inspection by shareholders at the Annual Meeting, and, for 10 days prior to the Annual Meeting, during regular business hours at the offices of Independent Bank Corporation, 230 West Main Street, Ionia, Michigan 48846.

If you plan to attend the Annual Meeting but are not a shareholder of record because you hold your shares in street name, please bring evidence of your beneficial ownership of your shares (*e.g.*, a copy of a recent brokerage statement showing the shares) with you to the Annual Meeting. Whether or not you plan to attend the Annual Meeting and whether you own a few or many shares of stock, the Board of Directors urges you to vote promptly. You may vote by signing, dating and returning the enclosed proxy card, by using the automated telephone voting system or by using the Internet voting system. You will find instructions for voting by telephone and by the Internet on the enclosed proxy card.

By Order of the Board of Directors,

Robert N. Shuster
Corporate Secretary

March xx, 2010

**Independent Bank Corporation
230 West Main Street
Ionia, Michigan 48846**

2010 PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation, beginning approximately March xx, 2010, by our Board of Directors, of proxies for use at the Annual Meeting of Shareholders. This meeting will be held on Tuesday, April 27, 2010, at 3:00 p.m. (local time) at Watt Auditorium, 438 Union Street, Ionia, Michigan 48846.

If the form of the Proxy accompanying this Proxy Statement is properly executed and returned, the shares represented by the Proxy will be voted at the Annual Meeting of Shareholders in accordance with the directions given in such Proxy. If no choice is specified, the shares represented by the Proxy will be voted for the election of directors listed as nominees, for the ratification of the independent auditors and to approve the compensation of our executives.

To vote by telephone, shareholders of record (shareholders who have been issued a certificate representing their shares) may call toll free on a touch-tone telephone 1-800-PROXIES (1-800-776-9437) and follow the recorded instructions. To vote by Internet, go to the site <http://www.voteproxy.com> and follow the instructions provided.

If your shares are held through a bank or a broker (referred to as street name), you may also be eligible to vote your shares electronically. Simply follow the instructions on your voting form, using either the toll-free telephone number or the Internet address that is listed.

A Proxy may be revoked prior to its exercise by delivering a written notice of revocation to our Secretary, executing a subsequent Proxy or attending the meeting and voting in person. Attendance at the meeting does not, however, automatically serve to revoke a Proxy.

This proxy statement, including the Notice and Form of Proxy, along with our Annual Report is available at <http://www.snl.com/irweblinkx/docs.aspx?iid=100319>. Information on directions to the site of our Annual Meeting is available on our website at www.IndependentBank.com.

VOTING SECURITIES AND RECORD DATE

As of February 26, 2010, the Record Date for the Annual Meeting, we had issued and outstanding 24,032,177 shares of common stock. Shareholders are entitled to one vote for each share of our common stock registered in their names at the close of business on the record date. Votes cast at the meeting and submitted by proxy are counted by the inspectors of the meeting, who are appointed by us.

As of February 26, 2010, no person was known by us to be the beneficial owner of 5% or more of our common stock, except as follows:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Approximate Percent of Class
Common Stock, \$1 par value	Independent Bank Corporation Employee Stock Ownership Trust (ESOT)	2,236,834	9.31%

230 West Main Street
Ionia, Michigan 48846

Our ESOT holds shares of common stock pursuant to the terms of our Employee Stock Ownership Plan (ESOP). The Principal Financial Group administers the ESOP and serves as directed trustee. Our ESOP administrative committee has investment power with respect to the shares of common stock held by the ESOT and has voting power to the extent that the ESOP participants do not direct the voting of the shares of common stock allocated to their accounts.

Our administrative committee is comprised of three of our officers: Robert N. Shuster, James J. Twarozynski and Laurinda M. Neve. Except for the shares of common stock allocated to their respective accounts as participants in the ESOP, each member of our administrative committee disclaims beneficial ownership of the shares held by the ESOT.

ELECTION OF DIRECTORS

Our Amended and Restated Articles of Incorporation provide that our Board be divided into three classes of nearly equal size, with the classes to hold office for staggered terms of three years each. Our Bylaws permit our Board of Directors to establish the size of our Board from three to fifteen members. Our current Board has fixed the size of our Board at ten members. Donna J. Banks, Ph.D., Jeffrey A. Bratsburg and Charles C. Van Loan are nominees to serve three-year terms expiring in 2013. Each of these directors are incumbent directors previously elected by our shareholders.

The Proxies cannot be voted for a greater number of persons than the number of nominees named. The persons named as proxy holders in the accompanying proxy will vote for the above named nominees unless a shareholder directs otherwise. In the event that any nominee is unable to serve, which is not now contemplated, our Board may designate a substitute nominee. The proxy holders, to the extent they have been granted authority to vote in the election of directors, may or may not vote for a substitute nominee.

In addition to the nominees for director, each director whose term will continue after the meeting is named in the following table. Each nominee and director owned beneficially, directly or indirectly, the number of shares of common stock set forth opposite their respective names. The stock ownership information and the information relating to each nominee's and director's age, principal occupation or employment for the past five years has been furnished to us as of February 26, 2010, by the respective nominees and directors.

A plurality of the votes cast at the Annual Meeting of Shareholders is required to elect the nominees as directors. Accordingly at this year's meeting, the three individuals who receive the largest number of votes cast at the meeting will be elected as directors. Shares not voted at the meeting, whether by abstention, broker non-vote or otherwise, will not be treated as votes cast on this matter.

The Board of Directors recommends a vote FOR the election of each of the three nominees.

	Amount and Nature of Beneficial Ownership(1)	Percent of Outstanding
Nominees for three-year terms expiring in 2013		
Donna J. Banks, Ph.D. (age 52) Dr. Banks is a retired Senior Vice President of the Kellogg Company. She became a Director in 2005. Ms. Banks' prior experience in an executive leadership position with a major corporation makes her service to the Board particularly important. Moreover, her prior experience with a corporation that is subject to the reporting requirements of the Securities Exchange Act of 1934 is of use to the Board and the Company.	21,841(2)	.09
Jeffrey A. Bratsburg (age 66) 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 from 1985 until his retirement in 1999. He became a Director in 2000. Mr. Bratsburg's prior experience as a bank president, as well as his 18 years of experience in the financial services	107,773(3)	.43

industry makes him an important member of the Board.

Charles C. Van Loan (age 62)

100,867(4)

.40

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. Van Loan has over 27 years of experience in the financial services industry. Mr. Van Loan served as the Company's CEO for over 10 years, which makes his input particularly useful to the Board.

	Amount and Nature of Beneficial Ownership(1)	Percent of Outstanding
Directors whose terms expire in 2011		
Stephen L. Gulis, Jr. (age 52) Mr. Gulis is the retired Executive Vice President and President of Wolverine Worldwide Global Operations Group. He became a Director in 2004. Mr. Gulis' prior experience as a chief financial officer of a major corporation is an important skill set to have on the Board. In addition, his prior experience with a corporation that is subject to the reporting requirements of the Securities Exchange Act of 1934 is important to the Board.	31,435(5)	.12
Terry L. Haske (age 61) 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. Haske's experience and qualifications as a CPA, as well as his prior service as a director of the Company and as a director of other banking institutions, makes his service to the Board particularly important.	46,944(6)	.19
Clarke B. Maxson (age 70) 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. Maxson has over 47 years of service and experience in the financial services industry. He also served as a bank president for over 16 years, which serves to assist the Board in a variety of issues facing the Company.	22,744	.09
Charles A. Palmer (age 65) Mr. Palmer is an attorney and a professor of law at Thomas M. Cooley Law School. He became a Director in 1991. Mr. Palmer's training as an attorney and almost 20 years of service as a director of the Company provides additional talent to the Board.	91,059	.36
Directors whose terms expire in 2012		
Robert L. Hetzler (age 64) Mr. Hetzler is the retired President of Monitor Sugar Company (food processor). He became a Director in 2000. Mr. Hetzler, who also has a legal degree, has numerous years as a senior leader of a large business organization. Those skill sets and experiences are important to the Board and the Company.	35,083(7)	.14
Michael M. Magee, Jr. (age 54) 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	154,441(8)	.61

February 2004 and prior to that he served as President and Chief Executive Officer of Independent Bank since 1993. He became a Director in 2005. Mr. Magee has over 31 years of service in the financial services industry and has served as our Chief Executive Officer for over 5 years. That position and those experiences make him a particularly important component of the Board.

James E. McCarty (age 62)

23,608(9)

.09

Mr. McCarty is the retired President of McCarty Communications (commercial printing). He became a Director in 2002. Mr. McCarty's prior experience in a corporate leadership position and prior service as a director of a financial institution makes his service to the Board important.

- (1) Except as described in the following notes, each nominee or incumbent director owns the shares directly and has sole voting and investment power or shares voting and investment power with his or her spouse under joint ownership. The table includes shares of common stock that are issuable under options exercisable within 60 days.
- (2) Includes 15,281 common stock units held in Dr. Banks' account under our deferred compensation and stock purchase plan for non-employee directors that are payable in our common stock upon retirement. Includes 6,000 shares held in a spousal trust.
- (3) Includes 12,065 common stock units held in Mr. Bratsburg's account under our deferred compensation and stock purchase plan for non-employee directors that are payable in our common stock upon retirement.
- (4) Includes 98,867 shares held in a spousal trust.
- (5) Includes 19,079 common stock units held in Mr. Gulis' account under our deferred compensation and stock purchase plan for non-employee directors that are payable in our common stock upon retirement.
- (6) Includes 6,615 shares owned jointly with Mr. Haske's father with respect to which Mr. Haske shares voting and investment power and includes 1,232 common stock units held in Mr. Haske's account under our deferred compensation and stock purchase plan for non-employee directors that are payable in our common stock upon retirement.
- (7) Includes 10,609 shares held in a spousal trust and 381 shares in a trust with respect to which Mr. Hetzler shares voting and investment power.
- (8) Includes 33,682 shares allocated to Mr. Magee's account under the ESOT and includes 10,424 common stock units held in a deferred compensation plan.
- (9) Includes 9,978 common stock units held in Mr. McCarty's account under our deferred compensation and stock purchase plan for non-employee directors that are payable in our common stock upon retirement. Includes 6,193 shares held in a spousal trust.

SECURITIES OWNERSHIP OF MANAGEMENT

The following table sets forth the beneficial ownership of our common stock by our Named Executives, set forth in the compensation table below, and by all directors and executive officers as a group as of February 26, 2010.

Name	Amount and Nature of Beneficial Ownership(1)	Percent of Outstanding
Michael M. Magee	154,441(2)	.61
Robert N. Shuster	117,699	.47
David C. Reglin	98,260	.39
William B. Kessel	38,260	.15
Stefanie M. Kimball	26,793	.11
All executive officers and directors as a group (consisting of 18 persons)	3,218,512(3)	12.78

- (1) In addition to shares held directly or under joint ownership with their spouses, beneficial ownership includes shares that are issuable under options exercisable within 60 days, and shares that are allocated to their accounts as participants in the ESOP.
- (2) Includes 10,424 common stock units held in a deferred compensation plan.
- (3) Beneficial ownership is disclaimed as to 2,070,440 shares, all of which are held by the ESOT.

CORPORATE GOVERNANCE AND BOARD MATTERS

CORPORATE GOVERNANCE PRINCIPLES

For many years, our Board of Directors has been committed to sound and effective corporate governance practices. The Board has documented those practices in our Corporate Governance Principles. These principles address director qualifications, periodic performance evaluations, stock ownership guidelines and other corporate governance matters. Under those principles, a majority of the members of our Board must qualify as independent under the rules established by the NASDAQ stock market on which our stock trades. Our principles also require the Board to have an audit committee, compensation committee and a nominating and corporate governance committee, and that each member of those committees qualifies as independent under the NASDAQ rules. Our Corporate Governance Principles, as well as the charters of each of the foregoing committees are available for review on our website at www.IndependentBank.com under the Investor Relations tab.

CODE OF BUSINESS CONDUCT AND ETHICS AND CODE OF ETHICS FOR SENIOR FINANCIAL OFFICERS

Our Board has also adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. In addition, the Board has adopted a Code of Ethics for Senior Financial Officers, which includes our principal executive officer, principal financial officer and controller. Each of these codes is posted on our website and can also be obtained free of charge through our Corporate Secretary at 230 West Main Street, Ionia, Michigan 48846.

Any changes to or waivers of either code for our CEO or senior financial officers will be disclosed on our website.

DETERMINATION OF INDEPENDENCE OF BOARD MEMBERS

As required by our Corporate Governance Principles, our Board has determined that each of the following directors qualifies as an Independent Director, as such term is defined in Market Place Rules 4200(a)(15) of the National Association of Securities Dealers (the NASD): Donna J. Banks, Jeffrey A. Bratsburg, Stephen L. Gulis, Terry L. Haske, Robert L. Hetzler, Clarke B. Maxson, James E. McCarty, Charles A. Palmer and Charles C. Van Loan. Our Board has also determined that each member of the three committees of the Board meets the independence requirements applicable to those committees as prescribed by the NASDAQ listing requirements,

and, as to the audit committee, under the applicable rules of the Securities and Exchange Commission. There are no family relationships between or among our directors, nominees or executive officers.

MEETING ATTENDANCE

Each of our directors is expected to attend all meetings of the Board, applicable committee meetings, and our annual meeting of shareholders. Each of our directors attended our 2009 annual shareholders meeting. During 2009, the Board held 14 meetings; each director attended at least 75% of the aggregate number of meetings of our Board and Board committees on which they served.

BOARD COMMITTEES AND FUNCTIONS

Copies of the charters of each of these committees are available on our Website at www.IndependentBank.com. Our Board of Directors has three standing committees: audit, compensation and nominating and corporate governance.

Our audit committee, which met on 7 occasions in 2009, consists of directors Gulis (Chairman), Haske, Maxson and McCarty. Our Board has determined that Mr. Gulis qualifies as the Audit Committee Financial Expert, as that term is defined in the rules established by the Securities and Exchange Commission. The primary purpose of the audit committee is to assist the Board in overseeing (1) the quality and integrity of our accounting, auditing and reporting practices, (2) the performance of our internal audit function and independent auditor, and (3) our disclosure controls and system of internal controls regarding, finance, accounting, legal compliance, and ethics that management and our Board have established.

Our compensation committee, which met on 5 occasions in 2009, consists of directors Banks, Gulis, Hetzler, Van Loan and McCarty (Chairman). This committee reviews and makes recommendations to the Board on executive compensation matters, including any benefits to be paid to our executives and officers. At the beginning of each year, our compensation committee meets to review our CEO's performance against the Company's goals and objectives for the preceding year and also to review and approve the corporate goals and objectives that relate to CEO compensation for the forthcoming year. This committee also evaluates the CEO and other key executives' payouts against (a) pre-established, measurable performance goals and budgets, (b) generally comparable groups of executives, and (c) external market trends. Following this review, this committee recommends to the full Board, the annual base salary, annual incentive compensation, total compensation and benefits for our chief executive officer. This committee is also responsible for approving equity-based compensation awards under our Long-Term Incentive Plan. Base salaries of executive officers, other than our CEO, are established by our CEO.

This committee is also responsible to recommend to the full Board, the amount and form of compensation payable to directors. From time to time, the committee relies upon third party consulting firms to assist the committee in its oversight of the Company's executive compensation policy and our Board compensation. This is discussed in more detail in the Compensation Discussion and Analysis included in this Proxy Statement.

Our nominating and corporate governance committee, which met on 3 occasions in 2009, consists of directors Banks, Haske, Hetzler, Van Loan and Palmer (Chairman). This committee is responsible for making recommendations on the qualification and standards to serve on our Board, identifying board candidates and monitoring our corporate governance standards.

Our Amended and Restated Articles of Incorporation contain certain procedural requirements applicable to shareholder nominations of directors. Shareholders may nominate a person to serve as a director if they provide written notice to us not later than sixty and no more than ninety days prior to the first anniversary date of the preceding year's annual meeting. The notice must include (1) name and address of the shareholder who intends to

make the nomination and of the person or persons nominated, (2) a representation that the shareholder is a current record holder and will continue to hold those shares through the date of the meeting and intends to appear in person or by proxy at the meeting, (3) a description of all arrangements between the shareholder and each nominee, (4) the information regarding each nominee as would be required to be included in a proxy statement filed under Regulation 14A of the Securities Exchange Act of 1934 had the nominee been nominated by the Board of Directors, and (5) the consent of each nominee to serve as director. Our nominating and corporate governance committee does not currently utilize the services of any third party search firm to assist in the identification or evaluation of board

member candidates. However, this committee may use the services of such a firm in the future if it deems necessary or appropriate.

The nominating and corporate governance committee has not established specific, minimum qualifications for director nominees. Our Corporate Governance Principles mandate that directors possess the requisite background and experience to make a strong, positive contribution to Independent Bank Corporation and our shareholders. This committee is responsible for reviewing the qualifications and independence of the members of the Board. This assessment includes a consideration of the skills, experience and diversity of the prospective candidates. In light of these general requirements, this committee reviews the suitability of each person nominated to our Board. These same standards and suitability requirements are applicable to all director nominees, regardless of the party making the director nomination. While the Board does not have a formal policy regarding the consideration of nominee diversity, this committee does consider diversity in its identification of director candidates. Diversity in business, industry and professional experience, education and training, as well as individual s general background benefits our Company by increasing the range of skills and perspectives of our Board and enhances its ability to govern the affairs of the Company.

The nominating and corporate governance committee has not received any recommended director nominations from any of our shareholders in connection with our 2010 annual meeting. The nominees that are standing for election as directors at the 2010 annual meeting are incumbent directors that were previously elected by our shareholders.

MAJORITY VOTING

Our nominating and corporate governance committee and Board have discussed and considered the adoption of majority voting for directors. The Board favors the general concepts of majority voting which would essentially proscribe the election of any nominee who received fewer votes cast in his or her favor for election than were withheld. However, our Bylaws and the Michigan Business Corporation Act provide that directors are to be elected by a plurality of votes cast, except as otherwise provided in our Articles. Due to various initiatives under consideration to either modify applicable laws or otherwise address some of the practical implications that arise from majority voting, the Board has elected to defer, at this time, any action or recommendation on this matter.

LEADERSHIP STRUCTURE AND THE BOARD S ROLE IN RISK OVERSIGHT

For a number of years our Board has separated the positions of the Company s Chief Executive Officer and Chairman of the Board. Our current Chairman, Mr. Bratsburg, is an independent director, as described above. In addition to this structure, the Board regularly meets in executive session, without the presence of management.

Our Board oversees the Company s risk management, satisfying itself that our risk management practices are consistent with our corporate strategy and are functioning appropriately. While a degree of risk is inherent in any business activity, our Board strives to ensure that risk management is incorporated into the Company s culture, and to foster risk-aware and risk adjusted decision-making throughout the organization. Our risk management processes bring to the Board s attention our most material risks, and permit the Board to understand and evaluate how those risks interrelate and how management addresses them.

Our Board performs its risk oversight function in several ways. The Board establishes standards for risk management by approving policies that address and mitigate the Company s most material risks. These include policies addressing credit risk, interest rate risk, capital risk, and liquidity risk, as well as Bank Secrecy Act/Anti-Money Laundering compliance. The Board also monitors, reviews, and reacts to our risks through various reports presented by management, internal and external auditors, and regulatory examiners.

The Board conducts certain risk oversight activities through its committees with direct oversight over specific functional areas. Our Audit Committee's risk oversight functions include:

Approving the independent auditor and its annual audit plan, as well as our internal Audit Services Department annual plan.

Receiving periodic reports from our independent auditors and our internal audit department,

Our compensation committee most closely monitors the risks to which our compensation policies and practices could subject us. In performing these functions, this committee considers input from the Company's senior risk officers and outside legal counsel. In 2009, this Committee reviewed the incentive plans for the Company to determine whether those plans subject us to unnecessary or excessive risk or motivate staff members to manipulate the Company's earnings. In conducting its review, this committee considered asset quality, asset valuations, oversight and treatment of certain non-performing assets and introduction of new products and services. As a result of that evaluation and an analysis of how the plans operate in practice, this committee concluded that our incentive plans do not subject the Company to unnecessary or excessive risk or motivate staff members to manipulate the Company's earnings.

Our nominating and corporate governance committee's role in risk oversight includes recommending director candidates with appropriate experience and skills who will set the proper tone for the Company's risk profile and provide competent oversight over our material risks.

Our Board does not have a separate risk committee, but instead believes that the entire Board is responsible for overseeing the Company's risk management. The Board helps ensure that management is properly focused on risk by, among other things, reviewing and discussing the performance of senior management and business lines leaders and conducting succession planning for key leadership positions at the Company. In addition to regular reports from each of the Board's committees, our Board receives regular reports from the Company's management on the Company's most material risks and the degree of its exposure to those risks as well as presentations on those risks at periodic Board meetings. These include reports on the Company's credit risk, interest rate risk, capital risk, liquidity risk and contingency planning.

SHAREHOLDER COMMUNICATIONS WITH THE BOARD

The Board of Directors has implemented a process by which a shareholder may send written communications to the Board's attention. Any shareholder desiring to communicate with the Board or one or more of our directors may send a letter addressed to the Company's Corporate Secretary at P.O. Box 491, Ionia, Michigan 48846. The Secretary has been directed to promptly forward all communications to the full Board or the specific director indicated in the letter.

REPORT OF OUR AUDIT COMMITTEE

The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Our audit committee has met with management and the independent auditors to review and discuss our audited financial statements as of and for the year ended December 31, 2009.

Our audit committee obtained from our independent auditors the written disclosures and the letter required by applicable provisions of the Public Company Accounting Oversight Board regarding their independence. Our audit committee has also discussed with our auditors any relationships that may impact their objectivity and independence and satisfied itself as to our auditors' independence.

Our audit committee has reviewed and discussed with our independent auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, and adopted by the Public Company Accounting Oversight Board. Our audit committee also discussed, with and without management present, the results of our independent auditors' examination of our financial statements.

Based on the reviews and discussions referred to above, the audit committee has recommended to our Board of Directors that the financial statements referred to above be included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Stephen L. Gulis, Jr.
James E. McCarty

Clarke B. Maxson
Terry L. Haske

**DISCLOSURE OF FEES PAID TO
OUR INDEPENDENT AUDITORS**

Crowe Horwath LLP (Crowe) has been the Company's independent auditors since 2005. Under its charter, the audit committee is solely responsible for selecting and reviewing the qualifications of the Company's independent auditors.

The following sets forth the fees paid to our independent auditors for the last two fiscal years:

	Year Ended December 31,	
	2009	2008
Audit fees	\$ 390,000	\$ 390,000
Audit related fees(1)	46,000	33,000
Tax fees(2)	79,000	86,000
All other fees	16,000	9,000
Total	\$ 531,000	\$ 518,000

- (1) Consists primarily of fees related to an audit required under a Housing and Urban Development loan program and accounting review of various transactions during each year.
- (2) Consists primarily of fees related to the preparation of corporate tax returns and also includes amounts for tax advice and tax planning services.

Pre-Approval Policy

Our audit committee has established a pre-approval policy for procedures for audit, audit related and tax services that can be performed by our independent auditors. For 2009 and 2008, all of these fees were pre-approved by the audit committee under that policy. Subject to certain limitations, the authority to grant pre-approvals may be delegated to one or more members of the audit committee. A copy of this policy is available on our Website at www.IndependentBank.com.

**PROPOSAL SUBMITTED FOR YOUR VOTE RATIFICATION OF THE
APPOINTMENT OF INDEPENDENT AUDITORS**

The audit committee has selected Crowe Horwath LLP (Crowe), as independent auditors for the Company, for the fiscal year ending December 31, 2010. The services provided to the Company and our subsidiaries by Crowe for 2009 and 2008 are described above under the caption Disclosure of Fees Paid to our Independent Auditors.

We are asking our shareholders to ratify the selection of Crowe as our independent auditors. Although ratification is not legally required, the Board is submitting the selection of Crowe to our shareholders for ratification as a matter of good corporate governance. Representatives of Crowe are expected to be present at the Annual Meeting to respond to appropriate questions and to make such statements as they may desire.

The affirmative vote of the holders of the majority of the shares represented in person or by proxy and entitled to vote on this item will be required for approval. All broker non-votes will not be treated as votes cast on this matter; shares voted as abstentions will be counted as votes cast and therefore will have the effect of a negative vote.

If our shareholders do not ratify the appointment, the appointment will be reconsidered by the audit committee and the Board. Even if the selection is ratified, the audit committee, in its discretion, may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interest of the Company and our shareholders.

The Board of Directors recommends a vote FOR this proposal to ratify the appointment of Crowe as our independent auditors.

**PROPOSAL SUBMITTED FOR YOUR VOTE
APPROVAL OF AMENDMENT TO OUR ARTICLES OF INCORPORATION
TO EFFECT A ONE (1) FOR TEN (10) REVERSE SPLIT OF THE COMPANY S COMMON STOCK**

We believe it is in the best interests of the Company and its shareholders to adopt an amendment to the Company s Amended and Restated Articles of Incorporation authorizing a reverse stock split of our outstanding shares of common stock. The purpose of the reverse split would be to increase the stock price of our common stock sufficiently above the \$1.00 minimum bid price requirement for continued listing on the NASDAQ Global Select Market (NASDAQ GSM) with a goal of sustaining long-term compliance with the NASDAQ listing requirements. Under the proposal, the number of authorized shares of our common stock would not change and would remain at 500 million.

The proposed amendment to our Amended and Restated Articles of Incorporation is attached to this proxy statement as Appendix A (the Amendment). If the Amendment is approved, the number of issued and outstanding shares of common stock would be reduced by an exchange ratio of one (1) share for every ten (10) shares currently outstanding (the Exchange Ratio), and the current authorized number of shares of our common stock would remain at 500 million, without further approval of our shareholders. The reverse stock split would become effective upon filing the Amendment with the Michigan Department of Energy, Labor and Economic Growth, which is anticipated to occur promptly following the Meeting, if approved.

Purpose of the Reverse Split

Because the Company s common stock is listed on the NASDAQ GSM, the Company is subject to certain continued listing standards and requirements, including a requirement that the minimum bid price of its common stock remain at least \$1.00 per share. If the bid price of the Company s common stock is below \$1.00 per share for 30 consecutive

trading days, the Company's common stock may be delisted from the NASDAQ GSM. On December 21, 2009, we received a letter from The NASDAQ Stock Market notifying us that we no longer met 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 trading 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 trading 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 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 raising additional capital more difficult.

If our common stock is delisted from 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.

Therefore, the Board's primary objective in proposing the reverse split is to raise the per share trading price of the Company's common stock sufficiently above the \$1.00 minimum bid price requirement for continued listing on The NASDAQ GSM. The Company hopes the anticipated increase in the price per share as a result of the reverse split will also encourage greater interest in its common stock among members of the financial community and the investing public and possibly create a more liquid market for the Company's shareholders with respect to those shares presently held by them. However, the possibility exists that shareholder liquidity may be adversely affected by the reduced number of shares outstanding if the reverse split is effected, particularly if the price per share of the Company's common stock begins a declining trend after the reverse split is effected.

There can be no assurance that the reverse split will achieve any of the desired results. There also can be no assurance that the price per share of the Company's common stock immediately after the reverse split will increase proportionately with the reverse split, or that any increase will be sustained for any period of time.

The Company is not aware of any present efforts by anyone to accumulate its common stock, and the proposed reverse split is not intended to be an anti-takeover device nor is it part of a broader plan to take the Company private.

Effects of Reverse Split on Common Stock