INDEPENDENT BANK CORP /MI/
Form S-4/A
March 12, 2010

As filed with the Securities and Exchange Commission on March 12, 2010 **Registration No. 333-164546**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1 to

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Independent Bank Corporation

(Exact name of registrant as specified in its charter)

Michigan	6021	38-2032782
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(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

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 MARCH 12, 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 five-day period as the "Pricing Period" and the second trading day immediately preceding the Expiration Date as the "Pricing Date"). 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 9:00 a.m., Eastern Time, on the next trading day following the Pricing Date (the "Announcement 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 *(per Liquidation Amount)*	Early Tender Premium Value *(per Liquidation Amount)*	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 intend to accept for exchange all trust preferred securities tendered in the exchange offers, and we believe we will be able to do so. As a result, the maximum number of trust preferred securities we will accept for exchange is as shown in the "Aggregate Liquidation Amount Outstanding" column in the table above. However, if both (a) the Relevant Price, which is based on the market price of our common stock as described above, is less than $[ ], and (b) 100% of the outstanding trust preferred securities are tendered for exchange, we may need to accept trust preferred securities tendered on a prorated basis, as described on page 111 below. The minimum number of trust preferred securities of any class we will accept for exchange is zero, which will be the case if no preferred securities issued by a particular trust are tendered for exchange.

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 March 11, 2010, the closing sale price for our common stock on the Nasdaq GSM was $0.76 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 121 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 March 12, 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 113 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.

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)	*By Mail, Overnight Courier or Hand Delivery*
(212) 809-8838	D.F. King & Co., Inc.
(provide call back telephone number on fax cover sheet for confirmation)	48 Wall Street, 22nd Floor
Confirmation: (212) 493-6996	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 "The Exchange Offers - Capital Plan" beginning on page 108 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 107 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	$ [ ]	$ [ ]	$ [ ]

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 five-day period as the "Pricing Period" and the second trading day immediately preceding the Expiration Date as 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 did you determine the amount of consideration being offered?

We established the Exchange Values being offered in consideration for the trust preferred securities by taking into account multiple considerations, including the fact that accrued and unpaid dividends will not be paid to holders of the trust preferred securities who participate in the exchange offers. We also reviewed comparable transactions that have recently been completed . Most importantly, we have set the Exchange Values at a level we believe will solicit a high level of participation from the holders of our trust preferred securities, given the importance of the exchange offers to the success of our Capital Plan (as discussed under "The Exchange Offers" below). We believe achieving the goals of our Capital Plan is in the best interests of our shareholders.

The Early Tender Premium Value represents an additional 5% of the applicable Liquidation Amount of the trust preferred securities. We determined to offer this Early Tender Premium Value to holders of trust preferred securities who tender their trust preferred securities prior to the Early Tender Premium Deadline in order to encourage early participation in the exchange offers, which we hope will have a beneficial effect on the overall level of participation in the exchange offers.

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 9:00 a.m., Eastern Time, on the next trading day following the Pricing Date (the "Announcement Date"), and those final exchange ratios will also be available by that time at www.independentbank.com/exchangeoffers and from the Information Agent.

Will all trust preferred securities that I tender be accepted in the exchange offer?

We believe we will be able to accept for exchange all trust preferred securities that are tendered in the exchange offers, but it is possible we may not be able to do so. We will issue no more than 180,200,000 shares of our common stock in the exchange offers. Of this 180,200,000 share limit, the maximum number of shares of our common stock we will issue in exchange for the trust preferred securities issued by IBC Capital Finance III, IBC Capital Finance IV, and Midwest Guaranty Trust I is 79,000,000 shares (which is to remain compliant with the terms of the proposal approved by our shareholders at the special shareholder meeting held on January 29, 2010). Depending on the amount of trust preferred securities tendered in the exchange offers and the final exchange ratios, we may have to prorate the trust preferred securities that we accept in the exchange offers to remain within these limits. Any trust preferred securities not accepted for exchange as a result of proration will be returned to tendering holders promptly after the final proration factor is determined. See "The Exchange Offers Terms of the Exchange Offers Proration" for more details.

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

Beginning in the fourth quarter 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, that 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 111 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 113 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 113 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 are 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 112 below.

How will the Average VWAP be affected by an extension of the exchange offers?

Even if we extend the exchange offers, the Average VWAP will still be determined using the arithmetic average of the daily per-share volume weighted average price of our common stock for each of the five consecutive trading days ending on and including the Pricing Date, which is currently expected to be **[ ]** (subject to revision if the Expiration Date is extended). For information about the fluctuations in the share price of our common stock, see below under "Risk Factors."

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 112 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 116 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 105 branches, 4 drive-thru facilities, and 5 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 ("Mepco"), 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 provided and administered by third parties. 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.

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 "The Exchange Offers - Capital Plan" 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 Exchange Offers" section 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 December 31, 2009, our bank had a Tier 1 capital ratio of 6.72% and a total risk based capital ratio of 10.36%. 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 the fourth quarter 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 January 29, 2010, we held a special shareholder meeting in Ionia, Michigan, where our shareholders approved the following three proposals: (1) approval of 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) approval to implement 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; and (3) approval to implement an underwater option exchange program pursuant to which we will offer our current employees who hold eligible options (excluding our "named executive officers" 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.

In March of 2010, a counterparty to which Mepco has significant exposure filed for federal bankruptcy protection. In 2009, Mepco recorded an aggregate $19.0 million expense to establish a reserve for losses related to this counterparty. In calculating the amount of such reserve, we took into account the significant likelihood that the counterparty would file for bankruptcy protection. As a result, we currently do not expect to increase the amount of our reserve as a result of the bankruptcy filing. However, in connection with the bankruptcy filing, Mepco committed to provide financing to the counterparty of up to an aggregate of $3 million. This was done as part of Mepco's overall efforts to minimize the loss associated with this counterparty. We believe the orderly wind-down of the counterparty's business is critical as it allows the counterparty to continue providing customer service to consumers who purchased vehicle service contracts from the counterparty. See "Risk Factors" below for more information.

More detail regarding these matters is set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "The Exchange Offers" below.

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 five-day period as the "Pricing Period" and the second trading day immediately preceding the Expiration Date as 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 116 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 9:00 a.m., Eastern Time, on the Announcement 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 112 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 that 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. On the settlement date, for each trust preferred security validly tendered, we will issue shares of common stock representing (i) the applicable Exchange Value to be issued in consideration for such trust preferred security, plus (ii) if such security was validly tendered and not withdrawn prior to the Early Tender Premium Deadline, the applicable Early Tender Premium Value. These shares will be delivered in accordance with the procedures described under "The Exchange Offers Acceptance of Trust Preferred Securities for Purchase; Delivery of Common Stock" below.
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.

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	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 March 11, 2010, the last trading day prior to the date of this prospectus, was $0.76 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 March 11, 2010, the last trading day prior to the date of this prospectus, was $15.25 per share.

	As noted above, 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. 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 "The Exchange Offers - 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 "The Exchange Offers - Importance of the Exchange Offers" 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, Michigan's unemployment rate in December 2009 of 14.6% was the worst among all states.

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. In 2009, we recorded a $31.2 million charge related to estimated potential losses for vehicle service contract counterparty contingencies. We may incur similar charges in the future. 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. Largely as a result of these events, we wrote down all of the $16.7 million of goodwill associated with Mepco that was being carried on our balance sheet. 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 December 31, 2009, the net finance receivables held by Mepco represented approximately 13.7% of our consolidated assets.

Mepco has significant exposure to a single counterparty that recently filed bankruptcy. 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 ceased all new sales in December 2009) 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. This counterparty filed for bankruptcy on March 1, 2010.

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 (this amount had been reduced to $170.3 million at February 28, 2010). In addition, as of December 31, 2009, this counterparty owed Mepco $16.2 million for previously cancelled payment plans. The bankruptcy filing 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. 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. However, we are not certain as to the amount of any such recoveries. In 2009, Mepco recorded an aggregate $19.0 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. In calculating the amount of such reserve, we took into account the significant likelihood that the counterparty would file for bankruptcy protection. As a result, we currently do not expect to increase the amount of our reserve as a result of the bankruptcy filing. However, in connection with the bankruptcy filing, Mepco committed to provide financing to the counterparty of up to an aggregate of $3 million. This was done as part of Mepco's overall efforts to minimize the loss associated with this counterparty. We believe the orderly wind-down of the counterparty's business is critical as it allows the counterparty to continue providing customer service to consumers who purchased vehicle service contracts from the counterparty.

In calculating the amount of the reserve related to the failure of this counterparty, we made a number of assumptions regarding, among other things, the cancellation rates for outstanding payment plans, the value of and our ability to collect certain collateral securing the amounts owed to Mepco, and our success in recovering amounts owed from various co-obligors and guarantors.   These assumptions are difficult to make, largely because of the significant size of the potential loss and the fact that Mepco does not routinely need to take these types of collection actions in the ordinary course of its business. If any one or more of our assumptions prove to be incorrect in any material respect, our actual loss with respect to this counterparty could be greater than the amount reserved, which would result in additional losses.

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 2008 and 2007, Mepco had net income of $10.7 million and $5.5 million, respectively. With the counterparty losses experienced by Mepco late in 2009 (including those related to the counterparty described above) and a $16.7 million goodwill impairment charge, Mepco incurred an $11.7 million loss in 2009. As of December 31, 2009, the net finance receivables held by Mepco represented approximately 13.7% 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 2009, these gains represented over 4% 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 December 31, 2009, our use of such wholesale funding sources amounted to approximately $760 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 banking 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 109 below), we will be prohibited from accepting or renewing brokered deposits without the prior consent of the FDIC. As of December 31, 2009, we had brokered deposits of approximately $629 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 "The Exchange Offers Capital Plan" and "Capitalization" below for more information . The completion of any of these capital raising transactions will 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 "The Exchange Offers" 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 67% of our outstanding common stock (based on our closing stock price of $0.76 on March 11, 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 $42.8 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;
- 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; 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 the fourth quarter 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 "The Exchange Offers - Capital Plan" 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.

As long as quarterly payments on the trust preferred securities are deferred, you will likely have taxable "original issue discount" (OID) income even though you are not receiving cash distributions on the trust preferred securities.

There are complicated federal tax rules that apply when payments on instruments such as the trust preferred securities are deferred. These tax rules require the holder of the security to report a portion of the deferred quarterly payments as taxable income even though they are not receiving any cash distributions because of the deferral. For each year that we continue to exercise our right to defer payments on the trust preferred securities, you will be receiving IRS Form 1099-OID to reflect OID income that you should report to the IRS, and a copy of each IRS Form 1099-OID will be provided to the IRS annually. Failure to report taxable income, including OID, can subject taxpayers to penalties. See "Material U.S. Federal Income Tax Consequences" below for more information. Because these rules are complicated, we urge you to consult a competent tax advisor.

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 109 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.

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 above. The key risks are summarized as follows:

- 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; and

- 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.

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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			December 31,		
	2009	2008	2007 (Unaudited)	2006	2005
in 000's)					
ANGIBLE COMMON EQUITY TO TANGIBLE ASSETS					
otal assets (GAAP)	$ 2,965,364	$ 2,956,245	$ 3,247,516	$ 3,406,390	$ 3,348,707
educt: Goodwill		16,734	66,754	52,842	55,946
educt: Core deposit intangible assets (all other intangibles)	10,260	12,190	15,262	8,157	10,729
educt: Deferred taxes	691	6,892	18,572	10,597	7,509
ngible assets (non-GAAP)	$ 2,954,413	$ 2,920,429	$ 3,146,928	$ 3,334,794	$ 3,274,523
otal shareholders' equity (GAAP)	$ 109,861	$ 194,877	$ 240,502	$ 258,167	$ 248,259
educt: Goodwill		16,734	66,754	52,842	55,946
educt: Core deposit intangible assets (all other intangibles)	10,260	12,190	15,262	8,157	10,729
educt: Deferred taxes	691	6,892	18,572	10,597	7,509
educt: Preferred stock	69,157	68,456	-	-	-
ngible common equity (non-GAAP)	$ 29,753	$ 90,605	$ 139,914	$ 186,571	$ 174,075
ngible common equity to tangible assets ratio (non-GAAP)	1.01%	3.10%	4.45%	5.59%	5.32
ER 1 COMMON EQUITY					
otal shareholders' equity (GAAP)	$ 109,861	$ 194,877	$ 240,502	$ 258,167	$ 248,259
dd: Qualifying capital securities	41,880	72,751	80,309	62,350	62,350
educt: Goodwill		16,734	66,754	52,842	55,946
educt: Accumulated other comprehensive (loss) income	(15,745)	(23,318)	(339)	3,370	4,297
educt: Intangible assets	10,260	12,190	15,262	8,157	10,729
educt: Disallowed servicing assets	559	1,018			
educt: Net unrealized losses on equity securities			3,155		
educt: Other	(35)	(59)	(86)	(139)	(294
er 1 capital (regulatory)	156,702	261,063	236,065	256,287	239,931
educt: Qualifying capital securities	41,880	72,751	80,309	62,350	62,350
educt: Preferred stock	69,157	68,456	-	-	-
er 1 common equity (non-GAAP)	$ 45,665	$ 119,856	$ 155,756	$ 193,937	$ 177,581
et risk-weighted assets (regulatory)	$ 2,204,157	$ 2,365,082	$ 2,525,594	$ 2,664,931	$ 2,578,081
er 1 common equity ratio (non-GAAP)	2.07%	5.07%	6.17%	7.28%	6.89

SELECTED FINANCIAL DATA

Set forth below are highlights from our consolidated financial data as of and for the years ended December 31, 2005 through 2009. You should read this information in conjunction with our consolidated financial statements and related notes included at page F 1 below, from which this information is derived.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
(Dollars in thousands, except per share amounts)					
SUMMARY OF OPERATIONS					
Interest income	$ 189,056	$ 203,736	$ 223,254	$ 216,895	$ 193,035
Interest expense	50,533	73,587	102,663	93,698	63,099
Net interest income	138,523	130,149	120,591	123,197	129,936
Provision for loan losses	103,032	71,321	43,160	16,344	7,806
Net gains (losses) on securities	3,744	(14,961)	(705)	171	1,484
Other non-interest income	54,915	44,682	47,850	44,679	41,342
Non-interest expenses	187,587	177,150	115,724	106,216	101,785
Income (loss) from continuing operations before income tax	(93,437)	(88,601)	8,852	45,487	63,171
Income tax expense (benefit)	(3,210)	3,063	(1,103)	11,662	17,466
Income (loss) from continuing operations	(90,227)	(91,664)	9,955	33,825	45,705
Discontinued operations, net of tax			402	(622)	1,207
Net income (loss)	(90,227)	(91,664)	10,357	33,203	46,912
Preferred dividends	4,301	215			
Net income (loss) applicable to common stock	$ (94,528)	$ (91,879)	$ 10,357	$ 33,203	$ 46,912
PER COMMON SHARE DATA(1)					
Income (loss) per common share from continuing operations					
Basic	$ (3.96)	$ (4.00)	$ 0.44	$ 1.48	$ 1.96
Diluted	(3.96)	(4.00)	0.44	1.45	1.92
Net income (loss) per common share					
Basic	$ (3.96)	$ (4.00)	$ 0.46	$ 1.45	$ 2.01
Diluted	(3.96)	(4.00)	0.45	1.43	1.97
Cash dividends declared	0.03	0.14	0.84	0.78	0.71
Book value	1.69	5.49	10.62	11.29	10.75

SELECTED BALANCES					
Assets	$2,965,364	$2,956,245	$3,247,516	$3,406,390	$3,348,707
Loans	2,299,372	2,459,529	2,518,330	2,459,887	2,365,176
Allowance for loan losses	81,717	57,900	45,294	26,879	22,420
Deposits	2,565,768	2,066,479	2,505,127	2,602,791	2,474,239
Shareholders' equity	109,861	194,877	240,502	258,167	248,259
Long-term debt	0	0	1,000	3,000	5,000
SELECTED RATIOS					
Tax equivalent net interest income to average interest earning assets	5.08%	4.63%	4.26%	4.41%	4.85%
Income (loss) from continuing operations to (2)					
Average common equity	(90.72)	(39.01)	3.96	13.06	18.63
Average assets	(3.17)	(2.88)	0.31	0.99	1.42
Net income (loss) to (2)					
Average common equity	(90.72)	(39.01)	4.12	12.82	19.12
Average assets	(3.17)	(2.88)	0.32	0.97	1.45
Average shareholders' equity to average assets	5.80	7.50	7.72	7.60	7.61
Tier 1 capital to average assets	5.27	8.61	7.44	7.62	7.40
Non-performing loans to Portfolio Loans	4.78	5.09	3.07	1.59	0.70

(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.

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 December 31, 2009, and on our earnings for the fiscal year ended December 31, 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 December 31, 2009 have been presented as if the Capital Transactions had been completed on December 31, 2009, and our pro forma consolidated statements of income have been presented as if the Capital Transactions had been completed on January 1, 2009.

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. 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.

b. 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.

c. 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 Expiration Date. The closing price of our common stock on March 11, 2010, was $0.76 per share.

d. 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)

(in thousands)	Actual December 31, 2009	Adjustments Institutional TP Exchange Offer (5)	Retail TP Exchange Offer (6)	CPP Exchange Offer (7)	Pro Forma December 31, 2009
ASSETS					
Cash and due from banks	$ 65,214	$ -	$ -	$ -	$ -
Interest bearing deposits	223,522				
Investment securities	164,205	-	-	-	-
FHLB and Federal Reserve Bank stock	27,854	-	-	-	-
Loans held for sale	34,234	-	-	-	-
Net portfolio loans	2,217,655	-	-	-	-
Premises and equipment	72,616	-	-	-	-
Bank owned life insurance	46,514	-	-	-	-
Other real estate and repossessed assets	31,534	-	-	-	-
Goodwill		-	-	-	-
Capitalized mortgage loan servicing rights	15,273	-	-	-	-
Other intangible assets	10,260	-	-	-	-
Prepaid FDIC deposit insurance assessment	22,047				
Other assets	34,436	(2)	(2)		
Total assets	$2,965,364	$	$	$	$
LIABILITIES					
Total deposits	$2,565,768	$ -	$ -	$ -	$ -
Other borrowings	131,182	-	-	-	-
Financed premiums payable	21,309	-	-	-	-
Other liabilities	44,356	-	-	-	-
Subordinated debentures	92,888	(1)	(1)		
Total liabilities	2,855,503				

Preferred stock	69,157			[1]	
Common stock	225,481	[3]	[3]	[3]	
Retained earnings (deficit)	(169,098)	[4]	[4]	[4]	
Accumulated other comprehensive income (loss)	(15,679)	[2]			
Total shareholders' equity	109,861				
Total liabilities and shareholders' equity	$2,965,364	$	$	$	$

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)

(in thousands)	Actual December 31, 2009	Adjustments Institutional TP Exchange Offer (5)	Retail TP Exchange Offer (6)	CPP Exchange Offer (7)	Pro Forma December 31, 2009
ASSETS					
Cash and due from banks	$ 65,214	$ -	$ -	$ -	$
Interest bearing deposits	223,522				
Investment securities	164,205	-	-	-	
FHLB and Federal Reserve Bank stock	27,854	-	-	-	
Loans held for sale	34,234	-	-	-	
Net portfolio loans	2,217,655	-	-	-	
Premises and equipment	72,616	-	-	-	
Bank owned life insurance	46,514	-	-	-	
Other real estate and repossessed assets	31,534	-	-	-	
Goodwill		-	-	-	
Capitalized mortgage loan servicing rights	15,273	-	-	-	
Other intangible assets	10,260	-	-	-	
Prepaid FDIC deposit insurance assessment	22,047				
Other assets	34,436	(2)	(2)		
				-	
Total assets	$ 2,965,364	$	$	$ -	$
LIABILITIES					
Total deposits	$ 2,565,768	$	$	$ -	$
Other borrowings	131,182			-	
Financed premiums payable	21,309			-	
Other liabilities	44,356			-	
Subordinated debentures	92,888	(1)	(1)	-	
				-	
Total liabilities	2,855,503			-	
Preferred stock	69,157			(1)	
Common stock	225,481	(3)	(3)	(3)	
Retained earnings (deficit)	(169,098)	(4)	(4)	(4)	
Accumulated other comprehensive income (loss)	(15,679)	(2)		-	

Total shareholders' equity	109,861			-	
Total liabilities and shareholders' equity	$ 2,965,364	$	$	$ -	$

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 2009	Adjustments Institutional TP Exchange Offer (5)	Adjustments Retail TP Exchange Offer (6)	CPP Exchange Offer (7)	Pro Forma 2009
INTEREST INCOME					
Interest and fees on loans	177,948	$ -	$ -	$ -	$
Investments	11,108	-	-	-	
Total Interest Income	189,056	-	-	-	
INTEREST EXPENSE					
Deposits	35,405	-	-	-	
Other borrowings	15,128	(1)	(1)	-	
Total Interest Expense	50,533			-	
NET INTEREST INCOME	138,523			-	
Provision for loan losses	103,032			-	
Net Interest Income After Provision for Loan Losses	35,491			-	
NON-INTEREST INCOME	58,659	(2)	(2)	-	
GAIN ON EXTINGUISHMENT OF CAPITAL INSTRUMENTS		(3)	(3)	-	
NON-INTEREST EXPENSE	187,587			-	
INCOME (LOSS) BEFORE INCOME TAXES	(93,437)			-	
Income tax expense (benefit)	(3,210)	(4)	(4)	-	
NET INCOME (LOSS)	(90,227)			-	
Preferred dividends	4,301			-	
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	(94,528)			$ -	
Per Common Share:					
Basic	(3.96)			$ -	
Diluted	(3.96)			-	
Average Common Shares Outstanding:					
Basic	23,865,525	(8)	(8)	-	

Diluted	23,935,880	(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.

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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 2009	Adjustments Institutional TP Exchange Offer (5)	Retail TP Exchange Offer (6)	CPP Exchange Offer (7)	Pro Forma 2009
INTEREST INCOME					
Interest and fees on loans	$ 177,948	$ -	$	$	
Investments	11,108	-			
Total Interest Income	189,056	-			
INTEREST EXPENSE					
Deposits	35,405				
Other borrowings	15,128	(1)	(1)		
Total Interest Expense	50,533				
NET INTEREST INCOME	138,523				
Provision for loan losses	103,032				
Net Interest Income After Provision for Loan Losses	35,491				
NON-INTEREST INCOME	58,659	(2)	(2)		
GAIN (LOSS) ON EXTINGUISHMENT OF CAPITAL INSTRUMENTS		(3)	(3)	(3)	
NON-INTEREST EXPENSE	187,587				
INCOME (LOSS) BEFORE INCOME TAXES	(93,437)				
Income tax expense (benefit)	(3,210)	(4)	(4)		
NET INCOME (LOSS)	(90,227)				
Preferred dividends	4,301			(1)	
NET INCOME (LOSS) APPLICABLE TO COMMON STOCK	(94,528)				
Per Common Share:					
Basic	(3.96)				
Diluted	(3.96)				
Average Common Shares Outstanding:					

Basic	23,865,525	(8)	(8)	(8)
Diluted	23,935,880	(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 December 31, 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, 2009 and 2008, which are included in this prospectus beginning at page F 1 below. 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	

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(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 107 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 March 11, 2010, was $0.76 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 24,028,505 (the number of shares of IBC common stock outstanding on December 31, 2009).

(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 107 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 March 11, 2010, was $0.76 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 24,028,505 (the number of shares of IBC common stock outstanding on December 31, 2009).

(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 $42.8 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-1 below and all other information set forth in this prospectus. Certain Selected Financial Data is set forth on page 29 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" above.

Introduction. Our success depends to a great extent upon the economic conditions in Michigan's lower peninsula. We have in general experienced a slowing economy in Michigan since 2001. In particular, Michigan's current unemployment rate of nearly 15% is the worst among all states. 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 as described below in "Portfolio Loans and asset quality."

Dramatic declines in the housing market in recent years, with falling home prices and elevated levels of 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.

Additionally, capital and credit markets have continued to experience elevated levels of volatility and disruption over the past two years. This market turmoil and tightening of credit have led to a lack of general consumer confidence and reduction of business activity.

In response to these difficult market conditions and the significant losses that we have incurred in the past two years that have depleted our capital, we have taken steps or initiated actions designed to restore our capital levels, improve our operations and augment our liquidity as described in more detail below.

On January 29, 2010, we held a special shareholders' meeting at which our shareholders approved 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. They also approved the issuance of our common stock in exchange for certain of our trust preferred securities and in exchange for the shares of our preferred stock held by the U.S. Department of Treasury ("Treasury").

As described in more detail below under "Liquidity and capital resources," we adopted a capital restoration plan that 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: (i) the exchange offers described in this prospectus; (ii) an offer to the Treasury to convert the preferred stock it holds into our common stock, and (iii) 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 restoration 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 not soon able to achieve the minimum capital ratios set forth in our capital restoration plan (as described below in "Liquidity and capital resources"), this inability would likely materially and adversely affect our business, our financial condition, and the value of our common stock. 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.

In addition, we believe that if we are unable to achieve the minimum capital ratios set forth in our capital restoration plan by or within a reasonable time after the April 30, 2010, deadline imposed by our Board of Directors, and if our financial condition and performance otherwise fail to meaningfully improve, it is likely we will not be able to remain well-capitalized under federal regulatory standards. In that case, we expect our primary bank regulators would also impose additional regulatory restrictions and requirements 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 certificates of deposit ("Brokered CDs") without the prior consent of the Federal Deposit Insurance Corporation ("FDIC"), which would likely have a materially 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. There could be other expenses associated with a continued deterioration of our capital, such as increased deposit insurance premiums payable to the FDIC.

Additional restrictions would make it increasingly difficult for us to withstand the current economic conditions and any continued deterioration in our loan portfolio. We could then 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 our preferred stock or trust preferred securities in any proposed exchange offers, and it could also result in a loss of the entire value of our outstanding trust preferred securities and preferred stock.

It is against this backdrop that we discuss our results of operations and financial condition in 2009 as compared to earlier periods.

RESULTS OF OPERATIONS

Summary. We incurred a loss from continuing operations of $90.2 million in 2009 compared to a loss of $91.7 million in 2008 and compared to income from continuing operations of $10.0 million in 2007. The net loss in 2009 and 2008 also totaled $90.2 million and $91.7 million, respectively, compared to net income of $10.4 million. The net loss applicable to common stock was $94.5 million and $91.9 million in 2009 and 2008, respectively. The significant change in 2009 and 2008 compared to 2007 is due primarily to an increase in the provision for loan losses, impairment charges on goodwill, increases in vehicle service contract counterparty contingencies, loan and collection costs and losses on other real estate and repossessed assets, and a charge to income tax expense for a valuation allowance on most of our net deferred tax assets. These adverse changes were partially offset by an increase in net interest income.

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 Troubled Asset Relief Program ("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 Insurance Premium Financing, Inc., now known as Mepco Finance Corporation ("Mepco"), a wholly-owned subsidiary of our bank, 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 vehicle service contract payment plan business. The assets, liabilities and operations of Mepco's insurance premium finance business are reported as discontinued operations for 2007.

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 CDs. 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 and 2009. 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 the 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,					
		2009		2008		2007
Income (loss) from continuing operations						
Average common equity		(90.72)%		(39.01)%		3.96%
Average assets		(3.17)		(2.88)		0.31
Net income (loss) to						
Average common equity		(90.72)%		(39.01)%		4.12%
Average assets		(3.17)		(2.88)		0.32
Income (loss) per common share from continuing operations						
Basic	$	(3.96)	$	(4.00)	$	0.44
Diluted		(3.96)		(4.00)		0.44
Net income (loss) per share						
Basic	$	(3.96)	$	(4.00)	$	0.46
Diluted		(3.96)		(4.00)		0.45

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 $140.8 million during 2009, compared to $134.7 million and $126.7 million during 2008 and 2007, 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 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 $2.3 million, $4.6 million and $6.1 million in 2009, 2008 and 2007, respectively, and were computed using a 35% tax rate. The increase in tax equivalent net interest income in 2009 compared to 2008 reflects a 45 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 $138.2 million decrease in average interest-earning assets. The increase in tax equivalent net interest income in 2008 compared to 2007 reflects a 37 basis point rise in our net interest margin that was partially offset by a $65.7 million decrease in average interest-earning assets. The decline in average interest-earning assets during 2009 and 2008 generally reflects our desire to reduce total assets in order to try to preserve our regulatory capital ratios in light of our recent losses.

From September 2007 to December 2008 the Federal Reserve Bank ("FRB") reduced the target federal funds rate from 5.25% to 0.25%, where it has since remained. 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 and 2009 which more than offset the adverse impact of a declining level of average interest earnings assets, as described above. Our balance sheet during 2008 and much of 2009 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 $120.2 million, $104.7 million and $53.1 million in 2009, 2008 and 2007, respectively.

During the last half of 2009, we increased our level of lower-yielding interest bearing cash balances to augment our liquidity in response to our deteriorating financial condition (see "Liquidity and capital resources" below). In addition, due to the challenges facing Mepco (see "Noninterest expense" below), we expect the balance of finance receivables to decline by approximately 50% in 2010. These finance receivables are the highest yielding segment of our loan portfolio, with an average yield of approximately 13%. The combination of these two items (a higher level of lower-yielding interest bearing cash balances and a decline in the level of higher-yielding finance receivables) is expected to have an adverse impact on both our net interest income and net interest margin in 2010.

Average Balances And Tax Equivalent Rates

	2009			2008			2007		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
				(Dollars in thousands)					
ASSETS (1)									
Taxable loans	$ 2,461,896	$ 177,557	7.21%	$ 2,558,621	$ 186,259	7.28%	$ 2,531,737	$ 201,924	7.98%
Tax-exempt loans (2)	8,672	601	6.93	10,747	751	6.99	9,568	672	7.02
Taxable securities	111,558	6,333	5.68	144,265	8,467	5.87	179,878	9,635	5.36
Tax-exempt securities (2)	85,954	5,709	6.64	162,144	11,534	7.11	225,676	15,773	6.99
Cash interest bearing	72,606	174	0.24						
Other investments	28,304	932	3.29	31,425	1,284	4.09	26,017	1,338	5.14
Interest earning assets continuing operations	2,768,990	191,306	6.91	2,907,202	208,295	7.16	2,972,876	229,342	7.71
Cash and due from banks	55,451			53,873			57,174		
Taxable loans discontinued operations							8,542		
Other assets, net	157,762			227,969			218,553		
Total assets	$ 2,982,203			$ 3,189,044			$ 3,257,145		
LIABILITIES									
Savings and NOW	$ 992,529	5,751	0.58	$ 968,180	10,262	1.06	$ 971,807	18,768	1.93
Time deposits	1,019,624	29,654	2.91	917,403	36,435	3.97	1,439,177	70,292	4.88
Long-term debt				247	12	4.86	2,240	104	4.64
Other borrowings	394,975	15,128	3.83	682,884	26,878	3.94	205,811	13,499	6.56
Interest bearing liabilities continuing	2,407,128	50,533	2.10	2,568,714	73,587	2.86	2,619,035	102,663	3.92

operations									
Demand deposits	321,802			301,117			300,886		
Time deposits discontinued operations							6,166		
Other liabilities	80,281			79,929			79,750		
Shareholders' equity	172,992			239,284			251,308		
Total liabilities and shareholders' equity	$ 2,982,203			$ 3,189,044			$ 3,257,145		
Net interest income		$ 140,773			$ 134,708			$ 126,679	
Net interest income as a percent of average interest earning assets			5.08%			4.63%			4.26%

(1) All domestic, except for $5.1 million of finance receivables in 2009 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%.

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, 2)						
Taxable loans	$ (6,989)	$ (1,713)	$ (8,702)	$ 2,124	$ (17,789)	$ (15,665)
Tax-exempt loans (3)	(144)	(6)	(150)	82	(3)	79
Taxable securities	(1,865)	(269)	(2,134)	(2,031)	863	(1,168)
Tax-exempt securities (3)	(5,105)	(720)	(5,825)	(4,515)	276	(4,239)
Cash interest bearing	174	0	174			
Other investments	(119)	(233)	(352)	249	(303)	(54)
Total interest income	(14,048)	(2,941)	(16,989)	(4,091)	(16,956)	(21,047)
Increase (decrease) in interest expense (1)						
Savings and NOW	252	(4,763)	(4,511)	(70)	(8,436)	(8,506)
Time deposits	3,740	(10,521)	(6,781)	(22,342)	(11,515)	(33,857)
Long-term debt	(12)	0	(12)	(97)	5	(92)
Other borrowings	(11,046)	(704)	(11,750)	20,619	(7,240)	13,379
Total interest expense	(7,066)	(15,988)	(23,054)	(1,890)	(27,186)	(29,076)
Net interest income	$ (6,982)	$ 13,047	$ 6,065	$ (2,201)	$ 10,230	$ 8,029

(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 $0.5 million of interest income in 2009 on finance receivables included in taxable loans from customers domiciled in Canada.

(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,		
	2009	**2008**	**2007**
As a percent of average interest earning assets			
Loans (1)	89.2%	88.4%	85.5%
Other interest earning assets	10.8	11.6	14.5
Average interest earning assets	100.0%	100.0%	100.0%
Savings and NOW	35.8%	33.3%	32.7%
Time deposits	14.1	23.9	21.9
Brokered CDs	22.7	7.7	26.5
Other borrowings and long-term debt	14.3	23.5	7.0
Average interest bearing liabilities	86.9%	88.4%	88.1%
Earning asset ratio	92.9%	91.2%	91.3%
Free-funds ratio	13.1	11.6	11.9

(1) All domestic, except for 0.2% of finance receivables in 2009 from customers domiciled in Canada.

Provision for loan losses. The provision for loan losses was $103.0 million during 2009 compared to $71.3 million and $43.2 million during 2008 and 2007, 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 an elevated level of 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).

Non-interest income totaled $58.7 million during 2009 compared to $29.7 million and $47.1 million during 2008 and 2007, respectively. Excluding net gains and losses on mortgage loans and securities, non-interest income grew by 11.5% to $44.1 million during 2009 and declined by 9.3% to $39.5 million during 2008. These variances are primarily due to changes in the valuation allowance related to capitalized mortgage loan servicing rights.

Non-Interest Income

	Year Ended December 31,		
	2009	**2008**	**2007**
		(In thousands)	
Service charges on deposit accounts	$ 24,370	$ 24,223	$ 24,251
Net gains (losses) on assets			
Mortgage loans	10,860	5,181	4,317
Securities	3,826	(14,795)	295
Other than temporary loss on securities available for sale			
Total impairment loss	(4,073)	(166)	(1,000)
Loss recognized in other comprehensive loss	3,991		
Net impairment loss recognized in earnings	(82)	(166)	(1,000)
VISA check card interchange income	5,922	5,728	4,905
Mortgage loan servicing	2,252	(2,071)	2,236
Mutual fund and annuity commissions	2,017	2,207	2,072
Bank owned life insurance	1,615	1,960	1,830
Title insurance fees	2,272	1,388	1,551
Other	5,607	6,066	6,688
Total non-interest income	$ 58,659	$ 29,721	$ 47,145

Service charges on deposit accounts totaled $24.4 million during 2009, compared to $24.2 million and $24.3 million during 2008 and 2007, respectively. The overall level of service charges on deposits has remained relatively consistent for the past three years. In late 2009 the Federal Reserve Board adopted rules that will require a written opt-in from customers before a bank can assess overdraft fees on ATM or debit card transactions. These rules are effective July 1, 2010. We believe that such legislation will have an adverse impact on our present level of service charges on deposits accounts.

We realized net gains of $10.9 million on the sale of mortgage loans during 2009, compared to $5.2 million and $4.3 million during 2008 and 2007 respectively. Effective January 1, 2008, we implemented fair value accounting for mortgage loans held for sale and 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 2009, mortgage loan origination and sales volumes increased from 2008 and 2007 reflecting generally lower interest rates that led to a significant increase in refinance volumes. Additionally, new tax credits for first-time home buyers during 2009 also spurred home sales and hence mortgage loan origination volume. These positive factors were partially offset by weak economic conditions, lower home values and more stringent underwriting criteria required by the secondary mortgage market, which reduced the number of applicants being approved for mortgage loans.

Mortgage Loan Activity

	Year Ended December 31, 2009	2008	2007
	(Dollars in thousands)		
Mortgage loans originated	$ 576,018	$ 368,517	$ 507,211
Mortgage loans sold	540,713	267,216	288,826
Mortgage loans sold with servicing rights released	55,495	51,875	47,783
Net gains on the sale of mortgage loans	10,860	5,181	4,317
Net gains as a percent of mortgage loans sold	2.01%	1.94%	1.49%
Fair value adjustments included in the Loan Sales Margin	0.07	0.36	(0.06)

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 accounting adjustments. Excluding the aforementioned accounting adjustments, the Loan Sales Margin would have been 1.94% in 2009, 1.58% in 2008 and 1.55% in 2007. The improved Loan Sales Margin in 2009 was generally due to more favorable competitive conditions in 2009 as many mortgage brokers left the market during 2008.

We generated securities net gains of $3.7 million in 2009. The 2009 securities net gains were primarily due to increases in the fair value and gains on the sale of our Bank of America preferred stock as well as gains on the sale of municipal securities. We sold all of our Bank of America preferred stock in June 2009. The 2009 gains were partially offset by $0.1 million of other than temporary impairment recognized on one private label mortgage-backed security and one trust preferred security.

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). 2008 was an unusual year as we historically have not incurred any significant net losses on securities. 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 fair value accounting 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.

GAINS AND LOSSES ON SECURITIES

	Year Ended December 31,			
	Proceeds	Gains	Losses(1)	Net
2009	$ 43,525	$ 3,957	$ 213	$ 3,744
2008	80,348	1,903	16,864	(14,961)