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INDEPENDENT BANK CORP /MI/
Form DEF 14A
March 17, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY
RULE 14a-6(e) (2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

INDEPENDENT BANK CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11 (set forth the amount on which the
filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

[] Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

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SEC 1913 (02-02)

(INDEPENDENT BANK CORPORATION LOGO)

March 21, 2005

Dear Shareholder:

We invite you to attend our 2005 Annual Meeting of Shareholders. This year's meeting will be held on Tuesday, April 26, 2005, at 3:00 p.m. at the Ionia Theater, 205 West Main Street, Ionia, Michigan 48846.

It is important that your shares are represented at the Annual Meeting. Please carefully read the Notice of Annual Meeting and Proxy Statement. Whether or not you expect to attend the Annual Meeting, PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED OR REGISTER YOUR VOTE BY PHONE OR THE INTERNET.

Sincerely,

/s/ Michael M. Magee, Jr.

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

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/s/ Charles Van Loan

Charles Van Loan
Chairman of the Board

INDEPENDENT BANK CORPORATION
230 West Main Street
Ionia, Michigan 48846

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 26, 2005

The Annual Meeting of Shareholders of Independent Bank Corporation will be held at the Ionia Theater, 205 West Main Street, Ionia, Michigan 48846, on Tuesday, April 26, 2005, at 3:00 p.m. (local time) for the following purposes:

1. Election of directors
 - a. To elect one nominee to our Board of Directors to serve a one-year term expiring in 2006.
 - b. To elect three nominees to our Board of Directors to serve three-year terms expiring in 2008.
2. To consider and vote upon the proposed amendment to our Long-Term Incentive Plan to make an additional 750,000 shares of our common stock available for issuance under that plan.
3. To transact such other business as may properly come before the meeting or any adjournment thereof.

Shareholders of record as shown by our transfer books at the close of business on February 25, 2005, are entitled to notice of and to vote at the meeting or any adjournment thereof. Whether or not you expect to be present in person at this meeting, please sign the enclosed proxy and return it promptly in the enclosed envelope or register your vote by phone or the internet. We encourage you to vote on the internet or by phone in order to reduce our mailing and handling costs. If you attend the meeting and wish to vote in person, you may do so even though you have submitted a proxy.

By order of our Board of Directors,

/s/ Robert N. Shuster

Robert N. Shuster
Secretary

Dated: March 21, 2005

INDEPENDENT BANK CORPORATION
230 West Main Street
Ionia, Michigan 48846

PROXY STATEMENT

MARCH 21, 2005

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This Proxy Statement is furnished in connection with the solicitation, beginning approximately March 21, 2005, by our Board of Directors, of proxies for use at the Annual Meeting of Shareholders. This meeting will be held on Tuesday, April 26, 2005, at 3:00 p.m. at the Ionia Theater, 205 West Main Street, Ionia, Michigan 48846.

If the form of the Proxy accompanying this Proxy Statement is properly executed and returned, the shares represented by the Proxy will be voted at the Annual Meeting of Shareholders in accordance with the directions given in such Proxy. If no choice is specified, the shares represented by the Proxy will be voted for the election of directors listed as nominees and for the amendment to our Long-Term Incentive Plan.

To vote by telephone, shareholders of record (shareholders who have been issued a certificate representing their shares) may call toll free on a touch-tone telephone 1-877-PRX-VOTE (1-877-779-8683); enter the control number located on your proxy card and follow the recorded instructions. To vote by internet, go to the site <http://www.eproxyvote.com/ibcp>; enter the control number located on your proxy card and follow the instructions provided.

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

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

VOTING SECURITIES AND RECORD DATE

As of February 25, 2005, the record date for the Annual Meeting, we had issued and outstanding 21,238,473, shares of Common Stock. Shareholders are entitled to one vote for each share of our Common Stock registered in their names at the close of business on the record date. Votes cast at the meeting and submitted by proxy are counted by the inspectors of the meeting, who are appointed by us.

As of February 25, 2005, no person was known by us to be the beneficial owner of 5% or more of our Common Stock, except as follows:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Approximate Percent of Class
Common Stock, \$1 par value	Independent Bank Corporation Employee Savings and Stock Ownership Trust ("ESSOT") 230 West Main Street Ionia, Michigan 48846	1,092,052	5.0%

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Employee Savings and Stock Ownership Plan ("ESSOP"). The Principal Financial Group administers the ESSOP and serves as directed trustee. Our ESSOP Administrative Committee has investment power with respect to the shares of Common Stock held by the ESSOT and has voting power to the extent that the ESSOP participants do not direct the voting of the shares of Common Stock allocated to their accounts.

Our Administrative Committee is comprised of three of our officers: Robert N. Shuster, James J. Twarozynski and Laurinda M. Neve. Except for the shares of Common Stock allocated to their respective accounts as participants in the ESSOP, each member of our Administrative Committee disclaims beneficial ownership of the shares held by the ESSOT.

ELECTION OF DIRECTORS

Our Articles of Incorporation provide that our Board be divided into three classes of nearly equal size, with the classes to hold office for staggered terms of three years each. Our Bylaws permit our Board of Directors to establish the size of our Board from three to fifteen members. Our current Board has fixed the size of our Board at eight members. Stephen L. Gulis, Terry L. Haske and Charles A. Palmer are nominees to serve three-year terms expiring in 2008, and Michael M. Magee, Jr., is a nominee to serve a one-year term expiring in 2006. Mr. Bratsburg, Mr. Van Loan, Mr. Hetzler and Mr. McCarty are incumbent directors previously elected by our shareholders.

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

In addition to the nominees for director, each director whose term will continue after the meeting is named in the following table. Each nominee and director owned beneficially, directly or indirectly, the number of shares of Common Stock set forth opposite their respective names. The stock ownership information and the information relating to each nominee's and director's age, principal occupation or employment for the past five years has been furnished to us as of February 25, 2005, by the respective nominees and directors.

A plurality of the votes cast at the Annual Meeting of Shareholders is required to elect the nominees as directors. Accordingly, at this year's meeting, the four individuals who receive the largest number of votes cast at the meeting will be elected as directors. Shares not voted at the meeting, whether by abstention, broker non-vote or otherwise, will not be treated as votes cast at the meeting. Our Board of Directors recommends a vote FOR the election of each of the four nominees.

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Amount and Nature of Beneficial Ownership(1)	Perce Outsta
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NOMINEES FOR THREE-YEAR TERMS EXPIRING IN 2008

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Stephen L. Gulis, Jr. (age 47)	0 (2)	.0
Mr. Gulis is the Executive Vice President, Chief Financial Officer and Treasurer of Wolverine World Wide, Inc. He became a Director in 2004.		

Terry L. Haske (age 56)	56,833 (3)	.2
Mr. Haske is the President of Ricker & Haske, CPAs, P.C. He became a Director in 1996.		

Charles A. Palmer (age 60)	94,362	.4
Mr. Palmer is an attorney and a professor of law at Thomas M. Cooley Law School. He became a Director in 1991.		

NOMINEE FOR ONE-YEAR TERM EXPIRING IN 2006

Michael M. Magee, Jr. (age 49)	83,199 (4)	.3
Mr. Magee is the President and Chief Executive Officer of Independent Bank Corporation. Prior to his appointment as President and CEO as of January 1, 2005, Mr. Magee served as Chief Operating Officer since February 2004 and prior to that he served as President and Chief Executive Officer of Independent Bank since 1993. He became a Director in 2005.		

DIRECTORS WHOSE TERMS EXPIRE IN 2006

Robert L. Hetzler (age 59)	44,152	.2
Mr. Hetzler is the retired President of Monitor Sugar Company (food processor). He became a Director in 2000. Mr. Hetzler was appointed Lead Outside Director effective January 1, 2005.		

James E. McCarty (age 57)	19,429 (5)	.0
Mr. McCarty is the President of McCarty Communications (commercial printing). He became a Director in 2002.		

DIRECTORS WHOSE TERMS EXPIRE IN 2007

Jeffrey A. Bratsburg (age 61)	134,448 (6)	.6
Mr. Bratsburg served as President and Chief Executive Officer of Independent Bank West Michigan from 1985 until his retirement in 1999. He became a Director in 2000.		

Charles C. Van Loan (age 57)	342,453 (7)	1.5
Mr. Van Loan is the Chairman of the Board of Directors of Independent Bank Corporation. Mr. Van Loan served as President and CEO of Independent Bank Corporation since 1993. He became a Director in 1992.		

- (1) Except as described in the following notes, each nominee owns the shares directly and has sole voting and investment power or shares voting and investment power with his spouse under joint ownership. Includes shares of Common Stock that are issuable under options exercisable within 60 days.
- (2) Excludes 1,266 common stock units held in Mr. Gulis' account under our deferred compensation and stock purchase plan for non-employee directors that are payable in our Common Stock upon retirement.
- (3) Includes 5,278 shares owned jointly with Mr. Haske's father with respect to which Mr. Haske shares voting and investment power.
- (4) Includes 18,561 shares allocated to Mr. Magee's account under the ESSOT.
- (5) Excludes 4,036 common stock units held in Mr. McCarty's account under our

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deferred compensation and stock purchase plan for non-employee directors that are payable in our Common Stock upon retirement. Includes 4,779 shares held in a spousal trust and 902 shares held by a corporation owned by Mr. McCarty.

- (6) Excludes 774 common stock units held in Mr. Bratsburg's account under our deferred compensation and stock purchase plan for non-employee directors that are payable in our Common Stock upon retirement.
- (7) Includes 34,114 shares allocated to Mr. Van Loan's account under the ESSOT, 2,836 shares held by Mr. Van Loan's dependent children and 27,341 shares held in a spousal trust.

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CORPORATE GOVERNANCE AND BOARD MATTERS

CORPORATE GOVERNANCE PRINCIPLES

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

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

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

DETERMINATION OF INDEPENDENCE OF BOARD MEMBERS

As required by our Corporate Governance Principles, our Board has determined that each of the following directors qualifies as an "Independent Director", as such term is defined in Market Place Rules 4200(a)(15) of the National Association of Securities Dealers (the "NASD"): Jeffrey A. Bratsburg, Stephen L. Gulis, Terry L. Haske, Robert L. Hetzler, James E. McCarty and Charles A. Palmer. Our Board has also determined that each member of the three committees of the Board meets the independence requirements applicable to those committees as prescribed by the NASDAQ listing requirements, and, as to the audit committee, under the applicable rules of the Securities and Exchange Commission. There are no family relationships between or among our directors, nominees or executive officers.

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MEETING ATTENDANCE

Each of our directors is expected to attend all meetings of the Board, applicable committee meetings, and our annual meeting of shareholders. Each of our directors, serving at that time, attended our 2004 annual shareholder meeting. During 2004, the Board held 7 meetings; each director attended at least 75% of the aggregate number of meetings of our Board and Board committees on which they served.

BOARD COMMITTEES

Our audit committee, which met on 22 occasions in 2004, consists of directors Haske, Hetzler and Palmer. Stephen L. Gulis was also appointed to the audit committee effective November 17, 2004. Our Board has determined that Mr. Gulis qualifies as the "Audit Committee Financial Expert", as that term is defined in the rules established by the Securities and Exchange Commission. Prior to Mr. Gulis' appointment to the audit committee Mr. Haske had been determined by the Board to qualify as the "Audit Committee Financial Expert." The primary purpose of the audit committee is to assist the Board in overseeing (1) the quality and integrity of our accounting, auditing and reporting practices, (2) the performance of our internal audit function and independent auditor, and (3) our disclosure controls and system of internal controls regarding, finance, accounting, legal compliance, and ethics that management and our Board have established. A copy of the committee's charter, which was amended and restated this past year following the committee's annual review and reassessment of its charter, is attached to this Proxy Statement as Appendix A.

Our compensation committee, consisting of Directors Bratsburg (Chairman), Hetzler and Haske, met three times in 2004. This committee reviews and makes recommendations to the Board on executive compensation matters, including any benefits to be paid to our executives and officers.

Our nominating and corporate governance committee, consisting of directors Palmer (Chairman), Bratsburg and Haske met two times in 2004. This committee is responsible for making recommendations on the qualification and standards to serve on our Board, identifying board candidates and monitoring our corporate governance standards.

Our Articles of Incorporation contain certain procedural requirements applicable to shareholder nominations of directors. Shareholders may nominate a person to serve as a director if they provide written notice to us not later than sixty and no more than ninety days prior to the first anniversary date of the preceding year's annual meeting. The notice must include (1) name and address of the shareholder who intends to make the nomination and of the person or persons nominated, (2) a representation that

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the shareholder is a current record holder and will continue to hold those shares through the date of the meeting and intends to appear in person or by proxy at the meeting, (3) a description of all arrangements between the shareholder and each nominee, (4) the information regarding each nominee as would be required to be included in a proxy statement filed under Regulation 14A of the Exchange Act had the nominee been nominated by the Board of Directors, and (5) the consent of each nominee to serve as director.

Our governance committee does not currently utilize the services of any third party search firm to assist in the identification or evaluation of board member candidates. However, the committee may use the services of such a firm in

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the future if it deems necessary or appropriate.

The governance committee has not established specific, minimum qualifications for director nominees. Our Corporate Governance Principles mandate that directors possess the requisite background and experience to make a strong, positive contribution to Independent Bank Corporation and our shareholders. Our governance committee is responsible for reviewing the qualifications and independence of the members of the Board. This assessment includes a consideration of the skills, experience and diversity of the prospective candidates. In light of these general requirements, our governance committee reviews the suitability of each person nominated to our Board. These same standards and suitability requirements are applicable to all director nominees, regardless of the party making the director nomination. Mr. Stephen L. Gulis and Mr. Michael M. Magee were appointed to our Board on November 17, 2004, and January 1, 2005, respectively. Mr. Gulis has served as a director of one of our subsidiary banks for over three years. Mr. Magee, our CEO, has served as an executive officer for over 11 years. Both of these directors were nominated to serve on our Board by our Nominating and Corporate Governance Committee.

The committee has not received any recommended director nominations from any of our shareholders in connection with our 2005 annual meeting. The nominees that are standing for election as directors at the 2005 annual meeting are incumbent directors nominated by the committee.

SHAREHOLDER COMMUNICATIONS WITH THE BOARD

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

COMPENSATION OF DIRECTORS

Directors who are not employed by us or any of our subsidiaries ("Non-employee Directors") receive an annual retainer of \$10,000. Each Non-employee Director also serves as a director of one of our subsidiary banks. Non-employee Directors of our subsidiaries receive monthly meeting fees of \$850. Our Non-employee Directors are not compensated for committee meetings.

Pursuant to our Long-Term Incentive Plan, the compensation committee may grant options to purchase shares of Common Stock to each Non-employee Director. During 2004, each Non-employee Director received an option to purchase 3,398 shares of Common Stock at \$26.12 per share, the fair market value of the Common Stock on the date of the grant. These options could not be exercised prior to December 31, 2004, are restricted as to transferability and expire 10 years after the date of grant.

We maintain a Deferred Compensation and Stock Purchase Plan for Non-employee Directors (the "Purchase Plan"). The Purchase Plan provides that Non-employee Directors may defer payment of all or a part of their director fees ("Fees") or receive shares of Common Stock in lieu of cash payment of Fees. Under the Purchase Plan, each Non-employee Director may elect to participate in a Current Stock Purchase Account, a Deferred Cash Investment Account or a Deferred Stock Account.

A Current Stock Purchase Account is credited with shares of Common Stock having a fair market value equal to the Fees otherwise payable. A Deferred Cash Investment Account is credited with an amount equal to the Fees deferred and on each quarterly credit date with an appreciation factor that may not exceed the prime rate of interest charged by Independent Bank. A Deferred Stock Account is

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credited with the amount of Fees deferred and converted into stock units based on the fair market value of our Common Stock at the time of the deferral. Amounts in the Deferred Stock Account are credited with cash dividends and other distributions on our Common Stock. Fees credited to a Deferred Cash Investment Account or a Deferred Stock Account are deferred for income tax purposes. The Purchase Plan does not provide for distributions of amounts deferred prior to a participant's termination as a Non-employee Director, and the participant may generally elect either a lump sum or installment distribution.

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REPORT OF OUR AUDIT COMMITTEE

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

Our audit committee has met with Management and the independent auditors to review and discuss our audited financial statements as of and for the year ended December 31, 2004.

Our audit committee obtained from our independent auditors a formal written statement describing the relationships between us and our auditors that might bear on the auditors' independence, which is consistent with Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees." Our audit committee has also discussed with our auditors any relationships that may impact their objectivity and independence and satisfied itself as to our auditors' independence.

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

Based on the reviews and discussions referred to above, the audit committee has recommended to our Board of Directors that the financial statements referred to above be included in our Annual Report on Form 10-K for the year ended December 31, 2004.

STEPHEN L. GULIS ROBERT L. HETZLER

TERRY L. HASKE CHARLES A. PALMER

AUDIT MATTERS AND OUR RELATIONSHIP WITH OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Representatives of KPMG, LLP, our independent registered public accounting firm, will be present at the annual meeting and will be given the opportunity to make a statement if desired. They will also be available to respond to appropriate questions. Our audit committee has yet to take action on the selection of our independent registered public accounting firm for 2005, which is expected to occur by May, 2005.

The following sets forth the fees paid to our independent registered public

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accounting firm for the last two fiscal years:

	Year ended December 31,	
	2004	2003
	-----	-----
Audit fees	\$348,000	\$260,000
Audit related fees(1)	25,000	29,000
Tax fees(2)	63,000	84,000
All other fees	75,000(3)	
	-----	-----
Total	\$511,000	\$373,000
	=====	=====

- (1) Consists primarily of fees related to an audit required under Housing and Urban Development loan program and fees related to benefit plan audits.
- (2) Consists primarily of fees related to the preparation of corporate tax returns and corporate tax planning.
- (3) Amount in 2004 consists of costs relating to the Mepco investigation disclosed in appendix C to this proxy statement.

Our audit committee has established a pre-approval policy for procedures for audit, audit related and tax services that can be performed by our independent public accountants. A copy of that policy is attached to this Proxy Statement as Appendix B. For 2004 and 2003, all of these fees were pre-approved by the audit committee under that policy. Subject to certain limitations, the authority to grant pre-approvals may be delegated to one or more members of the audit committee.

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PROPOSAL TO MAKE ADDITIONAL SHARES AVAILABLE FOR ISSUANCE
UNDER THE COMPANY'S LONG-TERM INCENTIVE PLAN

PROPOSED AMENDMENT TO THE COMPANY'S LONG-TERM INCENTIVE PLAN

In 2002, the Board of Directors adopted, and our shareholders approved, the Independent Bank Corporation Long-Term Incentive Plan (the Plan). The Plan provides for the grant of a variety of equity-based awards, described in more detail below, such as stock options, including incentive stock options as defined in Section 422 of the Internal Revenue Code, as amended (the Code), reload options, stock appreciation rights, restricted stock, performance shares, and other stock based awards. As of February 25, 2005, there were 61,000 shares of common stock available for the grant of future awards under the Plan.

The Plan is intended to promote the long-term success of the company for the benefit of our shareholders through stock-based compensation, by aligning the personal interests of Plan participants with those of our shareholders. The Plan is designed to allow selected Plan participants to participate financially in our future, as well as to enable us to attract, retain, and reward those individuals.

Our Board of Directors has approved an amendment to the Plan, subject to

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shareholder approval, to make an additional 750,000 shares available for issuance under the Plan. At the annual meeting, our shareholders are being requested to consider and approve this amendment. The following paragraphs summarize the material features of the Plan, as amended.

DESCRIPTION OF THE PLAN

The Plan is administered by the Compensation Committee of the Board (the committee), which is required to consist of not fewer than three non-employee directors, as defined in Rule 16b-3(b)(3) of the Securities Exchange Act of 1934. The committee determines the key employees of the company and its subsidiaries, as well as directors and consultants, who are to be granted awards, the types of awards (or combinations thereof) to be granted, the number of shares of common stock to be covered by each award, the terms and conditions of any award, such as conditions of forfeiture, transfer restrictions, and vesting requirements.

The Plan provides that no more than 20 percent of Plan shares may be awarded to any one employee, and not more than 15 percent of Plan shares may be awarded in the form of Restricted Stock grants.

If the amendment is approved, the maximum number of shares that may be issued under the Plan would be increased by 750,000 shares to 2,025,000 shares (this amount includes 1,214,000 of outstanding stock options at February 25, 2005). In addition, shares from the following sources are added to the Plan: (i) any shares subject to awards that have expired unexercised or that are forfeited, canceled, terminated, or settled in cash in lieu of common stock (provided that any shares subject to a forfeited or canceled award may not again be made subject to an award from a participant who received directly or indirectly any of the benefits of ownership of the securities underlying the award, excluding the right to vote such shares); (ii) any shares surrendered to us in payment of the exercise price of options or tax withholding obligations; (iii) shares subject to options withheld to pay the exercise price or tax withholding obligations; and (iv) the number of shares repurchased by us in the open market or otherwise having an aggregate purchase price no greater than the cash proceeds received by us from the sale of shares under the Plan.

TYPES OF AWARDS

The following types of awards may be granted under the Plan.

An "OPTION" is a contractual right to purchase a number of shares at a price determined at the date the option is granted. The exercise price included in both incentive stock options and nonqualified stock options must equal at least 100 percent of the fair market value of the stock at the date of the grant. Awards of certain options also may include reload options. A reload option is an option to purchase shares equal to the number of shares of common stock delivered in payment of the exercise price (including, in the discretion of the committee, the number of shares tendered to the company to satisfy any withholding tax liability arising upon exercise), and is automatically granted upon delivery of the shares without further action by the committee. A reload option retains the same terms of the original option, including the exercise period; however, the exercise price of the reload option must equal the fair market value of our common stock on the date of grant of the reload option.

A "STOCK APPRECIATION RIGHT" is an award of the right to receive stock or cash of an equivalent value in an amount equal to the difference between the price specified in the stock appreciation right and the prevailing market price of our common stock at the time of exercise. Stock appreciation rights may be granted only in tandem with options.

"RESTRICTED STOCK" is an award of common stock granted to a participant for

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no or nominal consideration. Title to the shares passes to the participant at the time of that grant; however, the ability to sell or otherwise dispose of the shares is subject to restrictions and conditions determined by the committee.

"PERFORMANCE SHARES" are an award of the right to receive stock or cash of an equivalent value at the end of the specified performance period upon the attainment of specified performance goals.

An "OTHER STOCK-BASED AWARD" is any other award that may be granted under the Plan that is valued in whole or in part by reference to or is payable in, or otherwise based, on our common stock.

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Our Board may at any time amend, discontinue, or terminate all or any part of the Plan. However, no amendment may be made without shareholder approval that would (i) increase the aggregate number of shares of common stock that may be issued under the Plan, (ii) extend the maximum option period under the Plan, or (iii) decrease the option price of any option to less than 100 percent of the fair market value on the date of grant.

FEDERAL TAX CONSEQUENCES

The following summarizes the consequences of the grant and acquisition of awards under the Plan for federal income tax purposes, based on management's understanding of existing federal income tax laws. This summary is necessarily general in nature and does not purport to be complete. Also, state and local income tax consequences are not discussed and may vary from locality to locality.

OPTION - Plan participants will not recognize taxable income at the time an option is granted under the Plan unless the option has a readily ascertainable market value at the time of grant. Management understands that options to be granted under the Plan will not have a readily ascertainable market value; therefore, income will not be recognized by participants before the time of exercise of an option. For Nonqualified Stock Options, the difference between the fair market value of the shares at the time an option is exercised and the option price generally will be treated as ordinary income to the optionee, in which case the company will be entitled to a deduction equal to the amount of the optionee's ordinary income.

With respect to incentive stock options, participants will not realize income for federal income tax purposes as a result of the exercise of such options. In addition, if the shares acquired as a result of the exercise of an incentive stock option are disposed of more than two years after the date the option is granted and more than one year after the date the option was exercised, the entire gain, if any, realized upon disposition of such shares will be treated as capital gain for federal income tax purposes. Under these circumstances, no deduction will be allowable to the company in connection with either the grant or exercise of an incentive stock option. Exceptions to the general rules apply in the case of a "disqualifying disposition."

If a participant disposes of shares of common stock acquired pursuant to the exercise of an incentive stock option before the expiration of one year after the date of exercise or two years after the date of grant, the sale of such stock will be treated as a "disqualifying disposition." As a result, such a participant would recognize ordinary income and the company would be entitled to a deduction in the year in which such disposition occurred. The amount of the deduction and the ordinary income recognized upon a disqualifying disposition

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would generally be equal to the lesser of: (i) the sale price of the shares sold minus the option price; or (ii) the fair market value of the shares at the time of exercise minus the option price. If the disposition is to a related party (such as a spouse, brother, sister, lineal descendant, or certain trusts for business entities in which the seller holds a direct or indirect interest), the ordinary income recognized generally is equal to the excess of the fair market value of the shares at the time of exercise over the exercise price. Any additional gain recognized upon disposition, in excess of the ordinary income, will be taxable as capital gain. In addition, the exercise of incentive stock options may result in an alternative minimum tax liability.

RELOAD STOCK OPTIONS - Participants will recognize no income on the grant of any reload option. On exercise of a reload option, the tax consequences to the participant and the company are the same as that for a nonqualified stock option.

STOCK APPRECIATION RIGHTS - Upon the grant of a stock appreciation right, the participant will realize no taxable income, and the company will receive no deduction. A participant will realize income at the time of exercise if the award becomes vested and is no longer subject to forfeiture and the participant is entitled to receive the value of the award. The company will receive a deduction of an equal amount in the same year the participant recognized income.

RESTRICTED STOCK - Recipients of shares of restricted stock that are not "transferable" and are subject to "substantial risk of forfeiture" at the time of grant will not be subject to federal income taxes until the lapse or release of the restrictions or sale of the shares, unless the recipient files a specific election under the Code to be taxed at the time of grant. The recipient's income and the company's deduction will be equal to the excess of the then fair market value (or sale price) of the share less any purchase price.

PERFORMANCE SHARE - Participants are not taxed upon the grant of performance shares. Upon receipt of the underlying shares or cash, a participant will be taxed at ordinary income tax rates (subject to withholding) on the amount of cash received and/or the current fair market value of stock received, and the company will be entitled to a corresponding deduction. The participant's basis in any Performance shares received will be equal to the amount of ordinary income on which he or she was taxed and, upon subsequent disposition, any gain or loss will be capital gain or loss.

REQUIRED VOTE FOR APPROVAL - The affirmative vote of a majority of the Company's Common Stock voted at the Annual Meeting, by person or by proxy, is required to approve the proposed amendment to the Plan. While broker non-votes will not be treated as votes cast on the proposal, shares voted as abstentions will be counted as votes cast. Since a majority of the votes cast is required for approval, the sum of any negative votes and abstentions will necessitate offsetting affirmative votes to assure approval. Unless otherwise directed by marking the accompanying proxy, the proxy holders named therein will vote FOR the approval of the proposed amendment to the Plan.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE PROPOSED AMENDMENT TO THE PLAN.

SHAREHOLDER RETURN PERFORMANCE GRAPH

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on our Common Stock (based on the last

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reported sales price of the respective year) with the cumulative total return of the Nasdaq Stock Market Index (United States stocks, only) and the Nasdaq Bank Stocks Index for the five-year period ended December 31, 2004. The following information is based on an investment of \$100 on January 1, 2000, in our Common Stock, the Nasdaq Stock Market Index and the Nasdaq Bank Stocks Index, with dividends reinvested.

(PERFORMANCE GRAPH)

	January 1,	December 31,				
	2000	2000	2001	2002	2003	2004
Independent Bank Corporation	\$100.00	\$146.10	\$220.71	\$256.85	\$406.39	\$435.23
Nasdaq Stock Market	100.00	60.31	47.84	33.07	49.45	53.81
Nasdaq Bank Stocks	100.00	114.23	123.68	126.65	162.92	186.45

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

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

GENERAL

Our ability to create shareholder wealth is predicated on our ability to attract and retain qualified executives and senior managers. Our Board of Directors, therefore, believes that our compensation policies and practices must: 1) provide incentives and rewards for superior performance; 2) align the interests of our executive officers and senior managers with the interests of our shareholders, and; 3) provide executive officers and senior managers with the opportunity to accumulate wealth that is commensurate with increases in the value of our Common Stock.

COMPENSATION STRATEGY

Consistent with these objectives and based on a review by nationally recognized compensation consultants, our Board of Directors has adopted a "pay-for-performance" compensation strategy. The strategy seeks to maintain a balance among three principal components of total compensation, as follows:

BASE SALARY—Excluding consideration of other relevant factors, which may include individual performance, experience, expertise and tenure, our Board intends to maintain the base salaries of executive officers and senior managers at approximately the level established by our peers.

Annually, the compensation committee recommends a base salary for our President and Chief Executive Officer (and beginning in 2005 our Chairman of the Board) for consideration by the entire Board of Directors. The compensation committee's recommendation is based upon compensation levels established by our

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peers and the compensation committee's evaluation of the relevant factors that are described above. The base salaries of the Presidents of each of our Banks are determined in a similar manner by our President and Chief Executive Officer and our Banks' respective boards of directors. The base salaries of other executive officers are established by our President and Chief Executive Officer.

ANNUAL CASH INCENTIVE—To provide additional performance incentives, the strategy provides for annual cash awards that are payable if we meet or exceed annual performance objectives established by our Board of Directors. Assuming "target performance" is achieved under the Management Incentive Compensation Plan described below, our Board intends that aggregate annual cash compensation (the total of base salary and annual cash incentive) will equal approximately peer level.

LONG-TERM INCENTIVES—To align the interests of our executive officers and senior managers with our shareholders, our Board's compensation strategy provides for equity-based compensation plans, including our Employee Savings and Stock Ownership Plan and our Long-Term Incentive Plan described below. These compensation plans have been adopted by our Board of Directors, and our Long-Term Incentive Plan has been approved by our shareholders. Such plans are, however, administered by the committee.

COMPENSATION PLANS

Pursuant to our **MANAGEMENT INCENTIVE COMPENSATION PLAN**, our Board of Directors establishes annual performance levels as follows: 1) threshold represents the performance level which must be achieved before any incentive awards are granted; 2) target performance is defined as the desired level of performance in view of all relevant factors, as discussed below, and; 3) maximum represents that which reflects outstanding performance.

The principal factors considered by our Board in the determination of these performance levels include peer performance and investment community expectations for our return on equity and earnings per common share, as well as similar expectations for our competitors in the financial services industry. Corresponding performance levels are established for each of our Banks or other subsidiaries.

In addition to our objective earnings goals, payments pursuant to this plan may also be subject to certain pre-determined individual goals. Such individual goals may be objective or subjective in nature. The individual performance component is, however, limited to 20% of the total incentive formula for our executive officers and our Bank Presidents.

For our Chief Executive Officer, cash payments made pursuant to this plan may range from 20% to 50% of base salary. For other executive officers and our Bank Presidents, such cash payments may range from 15% to 35% of their base salary. For the year ended December 31, 2004, our executive officers and our Bank Presidents received cash awards pursuant to our Management Incentive Compensation Plan that ranged from 15% to 20% of their respective base salaries.

OUR LONG-TERM INCENTIVE PLAN, is intended to provide our executive officers and senior managers with additional long-term incentives to manage our affairs in the best interests of our shareholders. On April 23, 2004, our Board of Directors granted options to purchase 106,500 shares of Common Stock to 43 of our executive officers and senior managers. These options provide the recipient the right to purchase shares of Common Stock at \$26.12 per share, the market price of our Common Stock as of the date of the grant. Such options could not be exercised before December 31, 2004, are restricted as to transferability and expire 10 years after the date of the grant.

On January 28, 2005, our Board of Directors granted options to purchase

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80,479 shares of Common Stock to our executive officers. Options covering 32,760 shares were designated as incentive stock options, as defined by the Internal Revenue Code. Each option provides the recipient the right to purchase the underlying shares of Common Stock at \$30.11 per share, the market price of our Common Stock as of the date of the grant. Such options may not be exercised prior to March 31, 2005, are restricted as to transferability and expire 10 years after the date of the grant.

Our EMPLOYEE SAVINGS AND STOCK OWNERSHIP PLAN, provides substantially all full-time employees an equity interest in our Company. Contributions to the ESSOP are determined annually and are subject to the approval of our Board of Directors. Contributions for the year ended December 31, 2004, were equal to 2% of the eligible wages for each of the approximately 1,100 participants in the ESSOP.

CHIEF EXECUTIVE OFFICER COMPENSATION

Charles C. Van Loan has served as our Chief Executive Officer since December 16, 1992. Prior to that time, Mr. Van Loan served as our President and Chief Operating Officer and as the President and Chief Executive Officer of Independent Bank. Effective on January 1, 2005, Mr. Van Loan resigned as Chief Executive Officer and was appointed as the Chairman of the Board. Also effective on January 1, 2005 Michael M. Magee was appointed as President and Chief Executive Officer. Mr. Magee had been the Chief Operating Officer of the Company since February 2004 and prior to that time had served as the President and Chief Executive Officer of Independent Bank.

Consistent with our existing policies and practices, the Committee reviewed compensation data from our peers and evaluated Mr. Van Loan's contributions to our success as well as his experience and expertise. On the basis of its evaluation, the Committee recommended for consideration by our full Board of Directors a base salary of \$353,290 (for the reasons described below this was reduced to \$333,290 effective as of January 1, 2005). As a result of our earnings, relative to the goals established pursuant to our Management Incentive Compensation Plan, Mr. Van Loan's cash incentive for 2004 totaled \$70,658.

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In February 2004 we announced a transition plan, pursuant to which Mr. Magee began to gradually assume Mr. Van Loan's responsibilities. Following his appointment as Chief Operating Officer, our Bank Presidents began reporting directly to Mr. Magee while other corporate executives continued to report to Mr. Van Loan. Effective as of the date of his appointment as Chief Executive Officer, all of our other corporate executives (except for our Chief Financial Officer) began reporting to Mr. Magee. During 2005 Mr. Van Loan will provide continuing assistance to Mr. Magee and will continue to supervise the Chief Financial Officer who oversees the Company's Accounting, Finance and Risk Management Departments. We anticipate that the transition of duties from Mr. Van Loan to Mr. Magee will be substantially complete by December 31, 2005.

JEFFREY A. BRATSBURG

TERRY L. HASKE ROBERT L. HETZLER

SECURITIES OWNERSHIP OF MANAGEMENT

The following table sets forth the beneficial ownership of our Common Stock by our Chief Executive Officer and our four other highest paid executive officers ("Named Executives") and by all directors and executive officers as a

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group as of February 25, 2005.

Name -----	Amount and Nature of Beneficial Ownership(1) -----	Percent of Outstanding -----
Charles C. Van Loan	342,453(2)	1.56%
Michael M. Magee	83,199	.38
Edward B. Swanson	141,818	.65
Ronald L. Long	68,768	.31
David C. Reglin	101,847	.47
All executive officers and directors as a group (consisting of 16 persons)	2,288,890(3)	10.46

- (1) In addition to shares held directly or under joint ownership with their spouses, beneficial ownership includes shares that are issuable under options exercisable within 60 days, and shares that are allocated to their accounts as participants in the ESSOP.
- (2) Includes shares held by Mr. Van Loan's dependent children and in a spousal trust.
- (3) Includes shares held by the ESSOT. Beneficial ownership is disclaimed as to 1,015,024 shares, including 943,794 shares which are held by the ESSOT.

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SUMMARY COMPENSATION TABLE

The following table sets forth compensation received by our Named Executives for each of the three years ended December 31, 2004.

Name & Principal Position -----	Year ----	Annual Compensation -----		Long-Term Compensation Awards Securities Underlying Options (#) (3) -----	All Other Compen- sation(4) -----
		Salary(1) -----	Bonus(2) -----		
Charles C. Van Loan(5) Chairman of the Board	2004	\$353,290	\$ 70,658	61,574	\$10,250
	2003	343,200	171,600	62,209	18,000
	2002	330,000	185,000	30,809	18,000
Michael M. Magee(5) President and Chief Executive Officer	2004	\$256,216	\$ 37,297	12,408	\$10,250
	2003	218,400	76,440	12,861	18,000
	2002	210,000	83,500	16,765	18,000
Edward B. Swanson President and CEO Independent Bank South Michigan	2004	\$197,000	\$ 29,550	10,350	\$ 9,838
	2003	189,280	56,094	9,790	17,040
	2002	182,000	57,435	13,036	17,047

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Ronald L. Long(6)	2004	\$197,000	\$ 29,550	10,350	\$93,853
President and CEO	2003	189,280	66,248	11,512	17,040
Independent Bank East Michigan	2002	182,000	60,031	13,929	15,682
David C. Reglin	2004	\$197,000	\$ 29,550	10,350	\$ 9,838
President and CEO	2003	189,280	76,248	11,512	17,040
Independent Bank West Michigan	2002	170,000	59,500	14,616	15,511

- (1) Includes elective deferrals by employees pursuant to Section 401(k) of the Internal Revenue Code.
- (2) Includes amounts earned under the Company's Management Incentive Compensation Plan.
- (3) Includes options granted in 2005 relating to 2004 performance.
- (4) Amounts represent our contributions to the ESSOP. Subject to certain age and service requirements, all of our employees are eligible to participate in this plan.
- (5) Effective January 1, 2005, Mr. Magee was appointed President and Chief Executive Officer and Mr. Van Loan was appointed Chairman of the Board.
- (6) Included in All Other Compensation for 2004 is an \$84,000 payment for relocation costs.

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OPTION GRANTS IN 2004

The following table provides information on options granted to our Named Executives during the year ended December 31, 2004.

	Number of Securities Underlying Options Granted(1)	Individual Grants Percent of Total Options Granted to Employees in 2004	Exercise or Base Price (per share) (2)	Expiration Date
Charles C. Van Loan	2,500	.66	\$26.12	April 23, 2005
	20,173	5.31	30.11	January 28, 2005
	38,901	10.24	(4)	
Michael M. Magee	2,500	.66	\$26.12	April 23, 2005
	9,908	2.61	30.11	January 28, 2005
Edward B. Swanson	2,500	.66	\$26.12	April 23, 2005
	7,850	2.07	30.11	January 28, 2005
Ronald L. Long	2,500	.66	\$26.12	April 23, 2005
	7,850	2.07	30.11	January 28, 2005
David C. Reglin	2,500	.66	\$26.12	April 23, 2005
	7,850	2.07	30.11	January 28, 2005

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- (1) Indicates number of shares which may be purchased pursuant to options granted under our Long-Term Incentive Plan. Options with an expiration date of April 23, 2014 could not be exercised in full or in part prior to December 31, 2004. Options with an expiration date of January 28, 2015 were granted in 2005 and vest on March 31, 2005. Such options relate to 2004 performance.
- (2) The exercise price equals the prevailing market price of our Common Stock on the date of grant. The exercise price may be paid in cash, by the delivery of previously owned shares, through the withholding of shares otherwise issuable upon exercise or a combination thereof.
- (3) The values reflect application of the Black-Scholes option pricing model. The assumptions employed on options with an expiration date of April 23, 2014, were expected volatility of 32.23%, risk-free rate of return of 4.40%, dividend yield of 2.45% and time to exercise of ten years. The assumptions employed on options with an expiration date of January 28, 2015, were expected volatility of 31.97%, risk-free rate of return of 4.14%, dividend yield of 2.26% and time to exercise of ten years.
- (4) Represents four separate grants to Mr. Van Loan for reload options on February 25, 2004. The exercise price of these options is \$27.69 per share and have expiration dates ranging from January 21, 2012 to January 18, 2013.

AGGREGATED STOCK OPTION EXERCISES IN 2004 AND YEAR END OPTION VALUES

The following table provides information on the number and value of options exercised in the past year, as well as the number and value of unexercised options held by our Named Executives at December 31, 2004. Options covering 340,364 shares of Common Stock were exercised in 2004.

Name	Shares Acquired on Exercise	Value Realized(1)	Number of Securities Underlying Unexercised Options		Value of
			Exercisable	Unexercisable	In-the-Money Exercisable
Charles C. Van Loan	55,747	\$612,611	64,709	38,901	\$ 112,913
Michael M. Magee	53,310	943,651	33,483	--	345,769
Edward B. Swanson	5,483	104,998	71,048	--	1,091,797
Ronald L. Long	8,709	145,194	48,311	--	547,273
David C. Reglin	--	--	65,339	--	905,288

- (1) The value realized upon the exercise of options is equal to the difference between the market value of the shares of Common Stock acquired at the time of exercise and the aggregate exercise price paid by our Named Executives.
- (2) The value of unexercised options is based on the difference between the closing price of our Common Stock on December 31, 2004 (\$29.83) and the exercise prices of the options.

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We have entered into individual Management Continuity Agreements with our executive officers and certain senior managers, including our Named Executives. These agreements provide severance benefits if the individual's employment is terminated within 36 months after a change in control or within six months before a change in control if we terminate the individual's employment in contemplation of a change in control and to avoid the agreement. For the purposes of these agreements, a "change in control" is any occurrence reportable as such in a proxy statement under applicable rules of the Securities and Exchange Commission, and would include, without limitation, the acquisition of beneficial ownership of 20% of our voting securities by any person, certain extraordinary changes in the composition of our Board of Directors, or a merger or consolidation in which we are not the surviving entity, or our sale or liquidation.

Severance benefits are not payable if we terminate the employment for cause, if employment terminates due to the individual's death or disability, or if the individual resigns without "good reason." An individual may resign with "good reason" after a change in control and retain benefits if we reduce the individual's salary or bonus, assign duties inconsistent with the individual's prior position, or make other material, adverse changes in the terms or conditions of the individual's employment. The agreements are for self-renewing terms of eighteen months to three years unless we take action to terminate further extensions. The agreements are automatically extended for an eighteen month to three-year term from the date of a change in control. These agreements provide a severance benefit of a lump-sum payment equal to eighteen months to three years salary and bonus and a continuation of benefits coverage for eighteen months to three years.

TRANSACTIONS INVOLVING MANAGEMENT

Our Board of Directors and executive officers and their associates were customers of, and had transactions with, our subsidiaries in the ordinary course of business during 2004. All loans and commitments included in such transactions were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve an unusual risk of collectibility or present other unfavorable features. Such loans totaled \$1,486,000 at December 31, 2004, equal to 0.6% of shareholders' equity.

Mr. McCarty (Director) owns a graphic design and commercial printing company which does business with us. During 2004 we purchased \$97,000 in goods and services from his company.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Pursuant to Section 16 of the Securities Exchange Act of 1934, our directors and executive officers, as well as any person holding more than 10% of our Common Stock, are required to report initial statements of ownership of our securities and changes in such ownership to the Securities and Exchange Commission. Based solely upon written representations by each Director and Executive Officer and our review of those reports furnished to us, all of the required reports were timely filed by such persons during 2004, except that Mr. Van Loan, an executive officer of the Company, filed one report late covering three gifts of Common Stock. Also, Mr. Bratsburg, was late in filing three reports, covering three transactions, and Mr. McCarty was late in filing one report, covering one transaction, all of which related to the crediting of deferred stock units in lieu of director fees under the Company's Deferred Compensation and Stock Purchase Plan for Nonemployee Directors.

SHAREHOLDER PROPOSALS

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Article III of our Bylaws contain procedural requirements for shareholder proposals, generally. Copies of our Articles of Incorporation and Bylaws have been filed with the Securities and Exchange Commission and can be obtained from its Public Reference Section or from us. Any other shareholder proposal to be considered by us for inclusion in the 2006 Annual Meeting of Shareholders proxy materials must be received by us no later than November 21, 2005. If we receive notice of a shareholder proposal after February 4, 2006, the persons named as proxies for the 2006 Annual Meeting of Shareholders will have discretionary voting authority to vote on that proposal at that meeting.

GENERAL

The cost of soliciting proxies will be borne by us. In addition to solicitation by mail, our officers and employees may solicit proxies by telephone, telegraph or in person. We have retained the services of The Altman Group to deliver proxy materials to brokers, nominees, fiduciaries and other custodians for distribution to beneficial owners, as well as solicit proxies from these institutions. The cost of such services is expected to total approximately \$4,000, plus reasonable out of pocket expenses.

As of the date of this proxy statement, Management knows of no other matters to be brought before the meeting. However, if further business is presented by others, the proxy holders will act in accordance with their best judgment.

By order of our Board of Directors,

/s/ Robert N. Shuster

Robert N. Shuster
Secretary

Dated: March 21, 2005

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APPENDIX A

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The primary function of the Audit Committee is to assist the Board by overseeing (1) the quality and integrity of the Company's accounting, auditing and reporting practices, (2) the performance of the Company's internal audit function and independent auditor, and (3) the Company's disclosure controls and system of internal controls regarding finance, accounting, legal compliance, and ethics that management and the Board of Directors have established.

The Audit Committee shall provide an open avenue of communication among the independent auditors, financial and senior management, the internal auditor and the Board of Directors.

II. MEMBERSHIP

- A. Independence--The Audit Committee shall be comprised of three or more members, each of whom (1) must qualify as an independent director under the listing requirements of NASDAQ and Section 301 of the

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Sarbanes-Oxley Act, (2) shall not have participated in the preparation of the financial statements of the Company or any subsidiary during the prior three year period, and (3) shall be free from any relationship to the Company that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic financial and accounting practices, and on or before January 1, 2004 at least one member of the Committee shall be a "financial expert" in compliance with the criteria established by the Securities and Exchange Commission.

- B. Appointment--The members shall be nominated by the Nominating and Corporate Governance Committee and appointed annually to one-year terms by the Board. The Nominating and Corporate Governance Committee shall recommend, and the Board shall designate, one member of the Audit Committee as Chair.
- C. Limitations. A member of the Audit Committee shall not simultaneously serve on the audit committee of more than two other public companies.

III. MEETINGS

Meetings of the Audit Committee shall be subject to the Committee procedure rules set forth in the Company's Bylaws and its own rules of procedure, which shall be consistent with those Bylaws and the following:

- A. The Audit Committee shall meet at least four (4) times annually and more frequently as circumstances require. Each regularly scheduled meeting of the Committee shall conclude with an executive session of the Committee, absent members of management and on such terms and conditions as the Committee may elect. In addition, the Committee may meet periodically with management; the head of the Company's internal auditing department and the independent auditors in separate executive sessions to discuss any matters that the Audit Committee or the internal audit department or independent auditors believe should be discussed privately.
- B. Following each of its meetings, the Audit Committee shall deliver a report on the meeting to the Board, including a description of all actions taken by the Audit Committee.
- C. The Audit Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

IV. RESPONSIBILITIES, DUTIES AND AUTHORITY

The Audit Committee shall have the following responsibilities, duties and authority:

- A. Document and Report Review
 - 1. Review and update this Charter periodically or as conditions dictate (at least, annually).
 - 2. Review the Company's annual financial statements and any reports or other financial information submitted to the Securities and Exchange Commission or to the public, including any report issued by the independent auditors.
 - 3. Review the summary report of the internal auditor and management's response to such reports.

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4. Recommend to the Board whether the financial statements should be included in the Annual Report on Form 10-K.
5. Review with financial management and the independent auditors the quarterly report on Form 10-Q prior to its filing.
6. Review earnings press releases with management prior to dissemination.
7. Discuss with management financial information and earnings guidance provided to analysts and rating agencies.

B. Independent Auditors

1. Appoint, approve the compensation of, and provide oversight of the Company's independent auditors, including the removal of the Company's independent auditors. The independent auditors shall report directly to the Committee, and the Committee shall oversee the resolution of any disagreements between management and the independent auditors.

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2. Administer the Company's Policy Regarding the Approval of Audit and Nonaudit Services Provided by the Independent Auditor.
3. Review the independent auditors' attestation and report on management's internal control report, and hold timely discussions with the independent auditors regarding:
 - (a) All critical accounting policies and practices;
 - (b) All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
 - (c) Other material written communications between the independent auditor and management including, but not limited to, management letter and schedule of unadjusted differences;
 - (d) An analysis of the independent auditor's judgment as to the quality of the Company's accounting principles, setting forth significant reporting issues and judgments made in connection with the preparation of the financial statements; and
 - (e) All significant relationships the independent auditors have with the Company to determine the independent auditors' objectivity and independence, undertaking or recommending appropriate action to ensure and continue that independence.
4. At least annually, obtain and review a report by the independent auditor describing:
 - (a) The firm's internal quality control procedures;
 - (b) Any material issues raised by the most recent internal

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quality-control review, peer review or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;

- (c) All relationships between the independent auditor and the Company; and
- (d) All significant relationships the independent auditors have with the Company to determine the independent auditors' objectivity and independence, undertaking or recommending appropriate action to ensure and continue that independence.

C. Financial Reporting Processes

1. Review the integrity of the Company's financial reporting process, both internal and external, giving consideration to consultation with management, the independent auditors and the internal auditor.
2. Consider and approve, as appropriate, major changes to the Company's auditing and accounting principals and practices as suggested by the independent auditors, management or the internal auditor.
3. Review and approve all related party transactions with the Company's directors, officers and controlling shareholders, excluding those transactions between the Company's subsidiaries and such persons that are in compliance with applicable banking regulations.
4. Establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, or auditing matters, including procedures necessary to receive and respond to confidential and anonymous submissions by Company employees regarding questionable accounting or auditing matters.

D. Internal Audit

1. Review activities, organizational structure and qualifications of the Company's internal audit department.
2. Periodically review the head of the Company's internal audit department and any significant difficulties, disagreements with management or scope restrictions encountered in the course of that department's work.

E. Ethical and Legal Compliance

1. Review the Company's Code of Business Conduct, approved by the Board of Directors, to ensure that management has maintained a system to comply with expected ethical and legal requirements.
2. Review, with the Company's counsel, legal compliance matters including corporate securities trading policies.
3. Review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
4. Discuss the Company's major financial and accounting risk exposures and steps taken by management to control or mitigate

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those exposures.

5. Review and approve all "related party transactions," as defined in Item 404 of SEC Regulation S-K, involving directors, executive officers and their respective affiliates and immediate family members.

F. Other

1. Review with the independent auditors, the internal auditing department and management the extent to which changes or improvement in financial or accounting practices, as approved by the Audit Committee, have been implemented.
2. Prepare the report that the SEC requires to be included in the Company's annual Proxy Statement.
3. Perform an annual self-assessment relative to the Audit Committee's purpose, duties and responsibilities set forth in this Charter.
4. To the extent it deems appropriate, and with or without full Board approval, obtain advice and assistance from outside legal, accounting or other advisors as deemed appropriate to perform its duties and responsibilities.
5. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.
6. At least annually, review and reassess the adequacy of this Charter in light of changes in law, governing rules, and applicable corporate governance best practices.

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APPENDIX B

POLICY REGARDING THE APPROVAL OF AUDIT AND NONAUDIT SERVICES PROVIDED BY THE INDEPENDENT AUDITOR

I. PURPOSE

Section 10A of the Securities Exchange Act of 1934 and the Charter of the Company's Audit Committee require that all audit services, as well as all non-audit services provided by the Company's auditors (the "Audit Firm"), to be pre-approved by the Company's Audit Committee. This policy sets forth the guidelines and procedures to be followed by the Company prior to the engagement of (a) any firm to provide audit services, and (b) the Company's Audit Firm to perform audit and non-audit services.

II. PRE-APPROVAL REQUIREMENT

- A. General. Each audit engagement and each service provided by the Audit Firm, both audit and non-audit (collectively a "Permitted Service"), must be pre-approved by the Audit Committee or a Designated Member. The SEC rules allow the pre-approval to be effected through the use of pre-approval policies and procedures as long as (1) those policies and procedures are (a) detailed as to the particular services to be

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provided, and (b) do not result in the delegation of the Audit Committee's authority to management, and (2) the Audit Committee is informed about each service. The appendices to this Policy describe the audit, audit-related, tax and all other services that have the pre-approval of the Audit Committee. Such pre-approval (1) may be given not more than one year before the commencement of the specified services, (2) may not exceed the budgeted amount pre-approved (unless subsequently approved), and (3) may not be given unless the description of the services to be pre-approved is accompanied by sufficient back-up documentation regarding the specific services to be provided. Unless the type of service has received such general pre-approval, it will require specific pre-approval by the Audit Committee.

- B. Delegation. Subject to the conditions in Section II(A), the Audit Committee may delegate to one or more member(s) of the Audit Committee (a "Designated Member"), the authority to grant pre-approvals of Permitted Services to be provided by the Audit Firm or audit services provided by another audit firm. The decisions of a Designated Member to pre-approve a Permitted Service shall be reported to the Audit Committee at each of its regularly scheduled meetings.

III. DISCLOSURES

The Company shall disclose in each proxy statement filed in connection with annual meetings of shareholders the aggregate fees billed for (1) audit services, (2) audit-related services, (3) tax services, and (4) all other services provided by the Audit Firm.

IV. PROHIBITED SERVICES

The Company may not engage the Audit Firm to provide the non-audit services described below to the Company (the "Prohibited Services").

- A. Bookkeeping or other services related to the Company's accounting records or financial statements.
- B. Financial information systems design and implementation, unless required to support the audit (i.e., using valuation experts to assist in auditing a valuation obtained by the Company).
- C. Appraisal or valuation services or fairness opinions, unless required to support the audit (i.e., setting actuarial reserves as opposed to actuarial audit work).
- D. Actuarial services.
- E. Internal audit outsourcing.
- F. Management functions or human resources.
- G. Broker-dealer investment adviser, or investment banking services.
- H. Legal services or expert services unrelated to the audit.

The list of Prohibited Services shall be automatically expanded to include those services that are proscribed by rule by the Securities and Exchange Commission.

V. AUDIT COMMITTEE REVIEW OF SERVICES

At each regularly scheduled Audit Committee meeting, the Audit Committee

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shall review the following:

- A report summarizing the Permitted Services, or grouping of related services, including fees, provided by the Audit Firm since the last meeting
- A report summarizing the audit services and fees provided to the Company by any firm
- A listing of newly pre-approved Permitted Services (and estimated fees) since its last regularly scheduled meeting
- An updated projection for the current fiscal year, presented in a manner consistent with the proxy disclosure requirements, of the estimated annual fees to be paid to the Audit Firm

VI. EFFECTIVE DATE

This policy, as revised, shall be effective immediately upon approval by the Audit Committee.

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APPENDIX C

Independent Bank Corporation is an Ionia, Michigan-based bank holding company with total assets of \$3.1 billion. Our four subsidiary banks principally serve suburban and rural communities located across Michigan's Lower Peninsula through over 100 offices. We also provide financing for insurance premiums and vehicle service contracts across the United States, through our wholly owned subsidiary, Mepco Insurance Premium Financing, Inc.

We emphasize service and convenience as the principal means of competing in the delivery of financial services. Accordingly, our community banking philosophy vests discretion and authority in local management. To support our service and sales efforts, while providing the controls that are consistent with our decentralized decision-making structure, we have consolidated many operational and administrative functions and provide these services to our four subsidiary banks (and their subsidiaries) on a centralized basis.

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SELECTED CONSOLIDATED FINANCIAL DATA

	Year Ended December 31			
	2004	2003	2002	
	(dollars in thousands, except per s			
SUMMARY OF OPERATIONS				
Interest income	\$ 162,547	\$ 139,366	\$ 129,815	\$
Interest expense	45,014	44,113	48,008	
Net interest income	117,533	95,253	81,807	
Provision for loan losses	4,309	4,032	3,562	
Net gains on the sale of real estate				
mortgage loans	5,956	16,269	8,178	
Other non-interest income	31,842	26,335	22,733	
Non-interest expenses	98,668	82,506	68,293	
Income before income tax expense	52,354	51,319	40,863	
Income tax expense	13,796	13,727	11,396	
Net income before cumulative effect of change in accounting principle	38,558	37,592	29,467	
Cumulative effect of change in accounting principle, net of related tax effect(1)				
Net income	\$ 38,558	\$ 37,592	\$ 29,467	\$
PER COMMON SHARE DATA(2)				
Net income before cumulative effect of change in accounting principle				
Basic	\$ 1.88	\$ 1.92	\$ 1.47	\$
Diluted	1.84	1.87	1.44	
Net income				
Basic	\$ 1.88	\$ 1.92	\$ 1.47	\$
Diluted	1.84	1.87	1.44	
Cash dividends declared66	.59	.44	
Book value	10.87	8.31	7.06	
SELECTED BALANCES				
Assets	\$3,094,027	\$2,361,014	\$2,058,975	\$1,
Loans	2,225,290	1,667,393	1,381,442	1,
Allowance for loan losses	24,737	16,836	15,830	
Deposits	2,176,947	1,702,806	1,535,603	1,
Shareholders' equity	230,292	162,216	138,047	
Long-term debt	7,000			
SELECTED RATIOS				
Tax equivalent net interest income to average earning assets	4.91%	4.88%	4.75%	
Net income to				
Average equity	19.42	24.89	21.34	
Average assets	1.42	1.69	1.52	
Average shareholders' equity to average assets	7.31	6.80	7.14	
Tier 1 capital to average assets	7.36	7.91	6.85	
Non-performing loans to Portfolio Loans68	.76	.72	

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- (1) Effect of the implementation of SFAS #133. (See note #15 to the consolidated financial statements.)
- (2) Per share data has been adjusted for a 10% stock dividend in 2003, 5% stock dividends in 2002, 2001, and 2000 and a three-for-two stock split in 2002.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Any statements in this document that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Words such as "expect," "believe," "intend," "estimate," "project," "may" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are predicated on management's beliefs and assumptions based on information known to Independent Bank Corporation's management as of the date of this document and do not purport to speak as of any other date. Forward-looking statements may include descriptions of plans and objectives of Independent Bank Corporation's management for future or past operations, products or services, and forecasts of the Company's revenue, earnings or other measures of economic performance, including statements of profitability, business segments and subsidiaries, and estimates of credit quality trends. Such statements reflect the view of Independent Bank Corporation's management as of this date with respect to future events and are not guarantees of future performance; involve assumptions and are subject to substantial risks and uncertainties, such as the changes in Independent Bank Corporation's plans, objectives, expectations and intentions. Should one or more of these risks materialize or should underlying beliefs or assumptions prove incorrect, the Company's actual results could differ materially from those discussed. Factors that could cause or contribute to such differences are changes in interest rates, changes in the accounting treatment of any particular item, the results of regulatory examinations, changes in industries where the Company has a concentration of loans, changes in the level of fee income, changes in general economic conditions and related credit and market conditions, and the impact of regulatory responses to any of the foregoing. Forward-looking statements speak only as of the date they are made. Independent Bank Corporation does not undertake to update forward-looking statements to reflect facts; circumstances, assumptions or events that occur after the date the forward-looking statements are made. For any forward-looking statements made in this document, Independent Bank Corporation claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

The following section presents additional information to assess the financial condition and results of operations of Independent Bank Corporation and its subsidiaries. This section should be read in conjunction with the consolidated financial statements and the supplemental financial data contained elsewhere in this appendix.

RESULTS OF OPERATIONS

SUMMARY. Net income totaled \$38.6 million in 2004 compared to \$37.6 million in 2003 and \$29.5 million in 2002. The increases in net income are primarily a result of increases in net interest income and service charges on deposit accounts partially offset by increases in non-interest expenses. Mortgage banking related revenues (net gains on real estate mortgage loan sales, title insurance fees and real estate mortgage loan servicing) were quite volatile

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during the periods presented due primarily to changes in mortgage loan refinance activity. 2004 results include the operations of Midwest Guaranty Bancorp, Inc. since the May 31, 2004, date of acquisition and include the operations of North Bancorp, Inc. since the July 1, 2004, date of acquisition. 2004 and 2003 results also include the operations of Mepco Insurance Premium Financing, Inc. since the April 15, 2003, date of acquisition.

KEY PERFORMANCE RATIOS

	Year ended December 31,		
	2004	2003	2002
Net income to			
Average equity	19.42%	24.89%	21.34%
Average assets	1.42	1.69	1.52
Net income per share			
Basic	\$ 1.88	\$ 1.92	\$ 1.47
Diluted	1.84	1.87	1.44

We believe that our earnings per share growth rate over a long period of time (five years or longer) is the best single measure of our performance. We strive to achieve an average annual long term earnings per share growth rate of approximately 10% to 15%. Accordingly, our focus is our long-term results, taking into consideration certain components of our revenues that are cyclical in nature (such as mortgage-banking) which can cause fluctuations in our earnings per share from year to year. Our primary strategies for achieving long-term growth in earnings per share include: earning asset growth (both organic and through acquisitions), diversification of revenues (within the financial services industry), effective capital management (efficient use of our shareholders' equity) and sound risk management (credit, interest rate, liquidity and regulatory risks). Our discussion and analysis of results of operations and financial condition will focus on these elements.

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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 \$123.2 million during 2004, compared to \$100.4 million and \$86.2 million during 2003 and 2002, respectively. We review yields on certain asset categories and our net interest margin on a fully taxable equivalent basis. In this 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

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both taxable and tax-exempt sources. The adjustments to determine tax equivalent net interest income were \$5.7 million, \$5.1 million and \$4.4 million in 2004, 2003 and 2002, respectively, and were computed using a 35% tax rate.

The increase in tax equivalent net interest income in 2004 compared to 2003 reflects a \$452.7 million increase in average interest-earning assets and a 3 basis point increase in our tax equivalent net interest income as a percent of average interest-earning assets ("Net Yield"). The increase in average interest-earning assets is due to our Midwest and North acquisitions as well as growth in commercial loans, finance receivables and investment securities. The Net Yield was equal to 4.91% in 2004 compared to 4.88% in 2003. The tax equivalent yield on average interest-earning assets declined to 6.71% in 2004 from 7.03% in 2003. This decline is due to the pay down of higher yielding loans and investment securities and the addition of new loans and new investment securities at lower interest rates. The decrease in the tax equivalent yield on average interest-earning assets was more than offset by a 35 basis point decline in our interest expense as a percentage of average interest-earning assets (the "cost of funds") to 1.80% in 2004 from 2.15% in 2003. The decline in our cost of funds was primarily due to the maturity of higher costing time deposits and borrowings, as well as increased levels of lower cost core deposits (including those added as a result of the Midwest and North acquisitions).

The 16.4% increase in tax equivalent net interest income in 2003 compared to 2002 principally reflects a \$241.5 million or 13.3% increase in the amount of average interest earning assets and a 13 basis point increase in Net Yield. This increase in the amount of average interest-earning assets primarily reflects growth in commercial loans and finance receivables.

Pursuant to Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS #133"), we recorded adjustments, which increased tax equivalent net interest income by \$0.1 million in 2004. This compares to adjustments, which reduced tax equivalent net interest income by \$0.1 million in 2003 and increased tax equivalent net interest income by approximately \$1.0 million in 2002. These adjustments relate principally to certain derivative financial instruments that are not designated as hedges. The changes in the fair value of these derivative financial instruments are recognized currently as adjustments to interest expense.

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AVERAGE BALANCES AND TAX EQUIVALENT RATES	2004			2003		
	Average Balance	Interest	Rate	Average Balance	Interest	R
				(dollars in thousands)		
ASSETS						
Taxable loans(1)	\$2,004,544	\$139,517	6.96%	\$1,612,316	\$118,277	7
Tax-exempt loans(1,2)	7,637	507	6.64	11,249	898	7
Taxable securities	266,704	12,497	4.69	239,296	11,687	4
Tax-exempt securities(2)	212,441	14,914	7.02	179,668	12,992	7
Other investments	16,283	765	4.70	12,341	611	4
	2,507,609	168,200	6.71	2,054,870	144,465	7
Cash and due from banks	55,728			48,839		

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Other assets, net	153,245			118,309	
	-----			-----	
Total assets	\$2,716,582			\$2,222,018	
	=====			=====	
LIABILITIES					
Savings and NOW	\$ 805,885	4,543	0.56	\$ 688,697	4,879
Time deposits	912,285	23,820	2.61	741,731	22,923
Long-term debt	4,549	177	3.89		
Other borrowings	480,956	16,474	3.43	407,264	16,311
	-----	-----		-----	-----
Interest bearing liabilities ...	2,203,675	45,014	2.04	1,837,692	44,113
		-----			-----
Demand deposits	240,800			183,032	
Other liabilities	73,574			50,283	
Shareholders' equity	198,533			151,011	
	-----			-----	
Total liabilities and shareholders' equity	\$2,716,582			\$2,222,018	
	=====			=====	
Net interest income		\$123,186			\$100,352
		=====			=====
Net interest income as a percent of average interest earning assets			4.91%		
			=====		

(1) All domestic.

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

CHANGE IN TAX EQUIVALENT NET INTEREST INCOME	2004 compared to 2003			2003 compared	
	Volume	Rate	Net	Volume	Rate
-----	-----	-----	-----	-----	-----
	(in thousands)				
Increase (decrease) in interest income(1)					
Taxable loans(2)	\$27,556	\$ (6,316)	\$21,240	\$13,763	\$ (4,150)
Tax-exempt loans(2,3)	(256)	(135)	(391)	(32)	(44)
Taxable securities	1,298	(488)	810	1,475	(1,999)
Tax-exempt securities(3)	2,310	(388)	1,922	2,742	(803)
Other investments	187	(33)	154	(475)	(203)
	-----	-----	-----	-----	-----
Total interest income	31,095	(7,360)	23,735	17,473	(7,199)
	-----	-----	-----	-----	-----
Increase (decrease) in interest expense(1)					
Savings and NOW	753	(1,089)	(336)	593	(3,158)
Time deposits	4,783	(3,886)	897	2,025	(6,792)
Long-term debt	177		177		
Other borrowings	2,714	(2,551)	163	4,889	(1,452)
	-----	-----	-----	-----	-----
Total interest expense	8,427	(7,526)	901	7,507	(11,402)
	-----	-----	-----	-----	-----
Net interest income	\$22,668	\$ 166	\$22,834	\$ 9,966	\$ 4,203

=====

- (1) The change in interest due to changes in both balance and rate has been allocated to change due to balance and change due to rate in proportion to the relationship of the absolute dollar amounts of change in each.
- (2) All domestic.
- (3) Interest on tax-exempt loans and securities is presented on a fully tax equivalent basis assuming a marginal tax rate of 35%.

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COMPOSITION OF AVERAGE INTEREST EARNING ASSETS
AND INTEREST BEARING LIABILITIES

	Year ended December 31,		
	2004	2003	2002
	-----	-----	-----
As a percent of average interest earning assets			
Loans--all domestic	80.2%	79.0%	79.3%
Other interest earning assets	19.8	21.0	20.7
	-----	-----	-----
Average interest earning assets	100.0%	100.0%	100.0%
	=====	=====	=====
Savings and NOW	32.1%	33.5%	35.0%
Time deposits	17.5	19.8	24.5
Brokered CDs	18.9	16.3	13.4
Other borrowings and long-term debt	19.4	19.8	15.9
	-----	-----	-----
Average interest bearing liabilities	87.9%	89.4%	88.8%
	=====	=====	=====
Earning asset ratio	92.3%	92.5%	93.8%
Free-funds ratio	12.1	10.6	11.2

PROVISION FOR LOAN LOSSES. The provision for loan losses was \$4.3 million during 2004 compared to \$4.0 million and \$3.6 million during 2003 and 2002, respectively. Changes in the provision for loan losses reflect our assessment of the allowance for loan losses. 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 real estate 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

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non-interest income when excluding net gains (losses) on assets (real estate mortgage loans and securities).

Non-interest income totaled \$37.8 million during 2004 compared to \$42.6 million and \$30.9 million during 2003 and 2002, respectively. Excluding net gains and losses on asset sales, non-interest income grew by 14.3% to \$31.0 million during 2004 and by 19.1% to \$27.1 million during 2003.

NON-INTEREST INCOME

	Year ended December 31,		
	2004	2003	2002
	(in thousands)		
Service charges on deposit accounts	\$17,089	\$14,668	\$13,049
Net gains (losses) on assets			
Real estate mortgage loans	5,956	16,269	8,178
Securities	856	(779)	(24)
VISA check card interchange income	2,054	1,564	1,370
Title insurance fees	2,036	3,092	2,474
Bank owned life insurance	1,486	1,432	403
Manufactured home loan origination fees and commissions ...	1,264	1,769	1,949
Mutual fund and annuity commissions	1,260	1,227	979
Real estate mortgage loan servicing fees, net	1,427	(294)	(870)
Other	4,370	3,656	3,403
	\$37,798	\$42,604	\$30,911
	=====	=====	=====

Service charges on deposit accounts totaled \$17.1 million during 2004, compared to \$14.7 million and \$13.0 million during 2003 and 2002, respectively. The increases in such service charges principally relate to growth in checking accounts as a result of deposit account promotions, including direct mail solicitations. The growth in 2004 also reflects our acquisitions of two banks during the year. We opened approximately 23,000 new checking accounts in 2004 compared to 23,000 in 2003 and 22,000 in 2002. Partially as a result of a leveling off in our growth rate of new checking accounts and the maturity of our high performance checking program, we would expect the growth rate of service charges on deposits to moderate in future periods.

Net gains on the sale of real estate mortgage loans are generally a function of the volume of loans sold. We realized net gains of \$6.0 million on the sale of such loans during 2004, compared to \$16.3 million and \$8.2 million during 2003 and 2002, respectively. The volume of loans sold is dependent upon our ability to originate real estate 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 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 and thus can often be a volatile part of our overall

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revenues. In 2004, approximately 46% of the \$687.9 million of loans originated was the result of refinancing activity. We estimate that refinancing activities accounted for approximately 70% and 69% of the real estate mortgage loans originated during 2003 and 2002, respectively.

NET GAINS ON THE SALE OF REAL ESTATE MORTGAGE LOANS

	Year ended December 31	
	2004	2003
	(dollars in thousands)	
Real estate mortgage loans originated	\$687,894	\$1,123,249
Real estate mortgage loans sold	385,445	892,482
Real estate mortgage loans sold with servicing rights released	53,082	51,847
Net gains on the sale of real estate mortgage loans	5,956	16,269
Net gains as a percent of real estate mortgage loans sold	1.55%	1.82%
SFAS #133 adjustments included in the Loan Sale Margin	0.00	0.10

Net gains as a percentage of real estate 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). The decrease in the Loan Sales Margin in 2004 primarily reflects increased pricing competition among mortgage lenders because of reduced demand for real estate mortgage loans due to a weaker refinance environment. The high demand for real estate mortgage loans by consumers in 2003 allowed us to increase our Loan Sales Margin in that period. Based upon our present expectations for real estate mortgage loan demand, we would expect our 2005 Loan Sales Margin to be similar to our 2004 level. Our decision to sell or retain real estate mortgage loan servicing rights is primarily influenced by an evaluation of the price being paid for real estate mortgage loan servicing by outside third parties compared to our calculation of the economic value of retaining such servicing. The sale of real estate mortgage loan servicing rights may result in declines in real estate mortgage loan servicing income in future periods. Gains on the sale of real estate mortgage loans can be impacted by recording changes in the fair value of certain derivative instruments pursuant to SFAS #133. These changes did not significantly impact the gains recorded in 2004, but did increase gains by \$1.0 million in 2003 and decreased gains by \$1.0 million in 2002. Excluding the aforementioned SFAS #133 adjustments, the Loan Sales Margin would have been 1.55% in 2004, 1.72% in 2003 and 1.52% in 2002.

The purchase or sale of securities is dependent upon our assessment of investment and funding opportunities as well as asset/liability management needs. We sold securities with an aggregate market value of \$57.4 million during 2004 compared to \$20.4 million and \$66.4 million during 2003 and 2002, respectively (See "Securities."). The \$0.9 million of securities gains in 2004 include \$1.6 million in "other than temporary" impairment charges (thus we actually had net gains on securities sales of approximately \$2.5 million). Approximately \$1.4 million of the other than temporary impairment charges relate to our Fannie Mae and Freddie Mac preferred stock portfolio. These preferred stocks are perpetual (i.e. they have no stated maturity date) and as a result they are treated like equity securities for purposes of impairment analysis. After the impairment charge our remaining book value in these preferred stocks was approximately \$25.9 million at December 31, 2004. We believe that recent events at Fannie Mae and Freddie Mac (including a review by regulators of their accounting practices) as well as the issuance of a large amount of new preferred securities by Fannie Mae in the fourth quarter of 2004 have resulted in a

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decline in the prices of these securities. Because it is difficult to forecast a recovery of these prices within a reasonable timeframe with any degree of certainty, we believe that recording the aforementioned other than temporary impairment charge is appropriate. In addition, we recorded other than temporary impairment charges of \$0.2 million on a mobile home asset backed security (See "Securities"). The net gains on sales of securities in 2004 relate primarily to the sale or call of U.S. Treasury, mortgage-backed, corporate and trust preferred securities. The net loss on securities in 2003 and 2002 includes impairment charges of \$0.75 million in each year on a \$1.5 million trust preferred security that was purchased in 1999, and which was issued by an unaffiliated bank holding company. This bank holding company had been experiencing ongoing financial difficulties. As a result of these circumstances and an ongoing assessment of the market value of this security, the book value of this asset was written off. In the third quarter of 2004 we were able to sell this trust preferred security for \$0.5 million.

GAINS AND LOSSES ON SECURITIES

Year ended December 31,				
-----	-----	-----	-----	-----
Proceeds	Gains	Losses(1)	Net	
-----	-----	-----	-----	
(in thousands)				
2004 ...	\$57,441	\$2,540	\$1,684	\$ 856
2003 ...	20,446	827	1,606	(779)
2002 ...	66,390	809	833	(24)

(1) The losses include impairment charges of: \$1.6 million in 2004 and \$0.75 million in each of 2003 and 2002.

VISA check card interchange income increased to \$2.1 million in 2004 compared to \$1.6 million in 2003 and \$1.4 million in 2002. These results can be primarily attributed to an increase in the size of our card base due to growth in checking accounts as well as the two acquisitions completed in 2004. In addition, the frequency of use of our VISA check card product by our customer base has increased.

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Title insurance fees decreased to \$2.0 million in 2004 compared to \$3.1 million in 2003 and \$2.5 million in 2002. The fluctuation in title insurance fees is primarily a function of the level of real estate mortgage loans that we originated.

Real estate mortgage loan servicing generated revenue of \$1.4 million in 2004, compared to expense of \$0.3 million in 2003 and expense of \$0.9 million in 2002. These yearly comparative increases or decreases are primarily due to changes in the impairment reserve on capitalized real estate mortgage loan servicing rights and the level of amortization of this asset. The period end impairment reserve is based on a third-party valuation of our real estate mortgage loan servicing portfolio and the amortization is primarily impacted by prepayment activity.

CAPITALIZED REAL ESTATE MORTGAGE LOAN SERVICING RIGHTS

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	2004	2003	2002
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	(in thousands)		
Balance at January 1,	\$ 8,873	\$ 4,455	\$ 4,299
Servicing rights acquired	1,138		
Originated servicing rights capitalized	3,341	7,700	3,637
Amortization	(1,948)	(3,655)	(2,386)
(Increase)/decrease in impairment reserve ...	(44)	373	(1,095)
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Balance at December 31,	\$11,360	\$ 8,873	\$ 4,455
	=====	=====	=====
Impairment reserve at December 31,	\$		