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RECEIVED 3/9/09

Independent Bank

March 5, 2009

Neil M. Barofsky
Special Inspector General – TARP
1500 Pennsylvania Avenue, NW
Suite 1064
Washington, D.C. 20220

Re: Independent Bank Corporation (UST Sequence No. 182) (hereinafter "IBC" or the "Company")

Dear Mr. Barofsky:

The following represents our response to your letter dated February 6, 2009 regarding the Troubled Asset Relief Program ("TARP") and our participation in the Capital Purchase Program ("CPP").

1a. A narrative response specifically outlining your anticipated use of TARP funds:

We anticipate utilizing the TARP CPP funds to augment the regulatory capital ratios of IBC and its wholly-owned subsidiary, Independent Bank ("IB"), so that we can make additional loans to individuals, families and businesses in the communities that we serve. For a short time period (approximately two years), some of the funds will also be utilized to pay the dividends on the preferred stock issued under the TARP CPP. As further [redacted] (b) (4)

1b. Whether the TARP funds were segregated from other institutional funds:

No the TARP CPP funds were not segregated. Although the TARP CPP funds were accounted for as a separate component of capital (in preferred stock and capital surplus) we do not believe there is any benefit in further segregating these funds once they have been injected by IBC into the capital of IB. In addition, further segregation (for example in an outside account in another financial institution) could actually limit our ability to lend these funds. Instead by simply treating the TARP CPP funds as part of our overall capital base we can leverage these funds six to eight times in new loans.

1c. Your actual use of TARP funds to date.

We received $72 million of TARP CPP funds on December 12, 2008. Of this amount, $47.6 million was injected into our bank subsidiary (Independent Bank) and the remainder ($24.4 million) was retained at the parent company (IBC) in a checking account at IB. Upon the receipt of these funds by IB (either as a deposit into the IBC checking account or as a capital injection) we initially (on day one) used the proceeds to pay down short-term borrowings from the Federal Reserve Bank. Since that initial time (day one), we have utilized the TARP CPP funds injected into our bank subsidiary to make additional loans to individuals, families and businesses in the communities we serve (by re-borrowing from the Federal Reserve Bank or from other sources, such as deposits). We have over 100 branches located throughout the lower peninsula of Michigan. Prior to the receipt of the TARP CPP funds, we were deleveraging (shrinking) our balance sheet and reducing loan balances in order to preserve capital and enhance our regulatory capital ratios. The receipt of TARP CPP funds has provided us with additional regulatory capital and as a result, we have been able to pursue lending opportunities that we might otherwise not have been able to consider. Exhibit A is a copy of a recent article in *The Grand Rapids Press* (the daily newspaper in one of our major markets) which highlights our desire to lend to businesses, families and individuals in the communities that we serve. We have consistently made efforts to disclose our interest in making loans by contacting the media, by advertising, by attending trade shows (boat shows, RV shows, etc.) and through other means. Our actual lending statistics for the period from December 12, 2008 (the date we received our TARP CPP funds) through February 28, 2009 was as follows:

Loan/investment category	Total Loans/Investments	New Money Portion
	(Dollars in thousands)	
Commercial	$ 79,586	$ 33,891
Mortgage	155,889	99,995
Consumer – installment	5,413	5,413
Fannie Mae MBS – CRA pools[a]	2,989	2,989
Fannie Mae MBS – other pools	5,606	5,606
Local municipal securities	280	280
Totals	**$249,763**	**$148,174**

[a] These are Community Reinvestment Act (CRA) investments, with the pool comprised solely of mortgage loans to low- and moderate-income borrowers in our markets.

In addition to lending, the TARP CPP funds have also provided IB with additional capital resources to allow us to pursue loan modifications in lieu of foreclosure for qualifying home owners. Attached as Exhibit B is an outline our loan modification procedures. Also attached as Exhibit C is a recent press release announcing our decision to suspend foreclosures on all IB owner-occupied loans for three weeks (as we awaited details on the federal government's plans for assisting homeowners). Finally we actively promote our mortgage loan counseling services, including how to obtain these services, on our Web site at www.IndependentBank.com.

1d. Your expected use of unspent TARP funds:

In theory, given our above described lending volumes we do not presently have any unspent TARP CPP funds. However, because the TARP CPP funds qualify as Tier 1 regulatory capital, we can leverage these funds by six to eight times. Thus the TARP CPP funds can provide the resources (along with deposits and/or borrowings) to make as much as $600 million of loans. [redacted] Federal Reserve Board regulations require that bank holding companies serve as a source of strength to each subsidiary bank and commit resources to support each subsidiary bank. [redacted]

2. Your specific plans and the status of implementation of those plans for addressing executive compensation requirements associated with the TARP CPP funding:

Our executive compensation programs are described in Attachment D which is an excerpt from the Executive Compensation section of our 2009 Proxy Statement for our April 28, 2009 Annual Meeting of Shareholders. We believe that our executive compensation plans meet the requirements of the executive compensation provisions contained in the Emergency Economic Stabilization Act of 2008 ("EESA"). Further each senior executive officer of the Company executed a letter agreement acknowledging and agreeing to the executive compensation requirements of the TARP CPP and the EESA (see Attachment E as an example). The EESA executive compensation provisions were the operative requirements of the TARP CPP documents that we executed on December 12, 2008. We have also formed a committee that is comprised of our head of internal audit, our head of compliance and security (risk management), our head of Sarbanes Oxley compliance and our outside corporate counsel to formally evaluate our executive compensation plans and make a report to our Compensation Committee on such plans, including as to whether or not such plans have any incentives for executive management that would encourage unnecessary and excessive risks that threaten the value of the Company. This report will form the basis for the certifications required by our Chief Executive Officer and Compensation Committee under the TARP CPP documents.

In February 2009 the American Recovery and Reinvestment Act of 2009 ("ARRA") was enacted. The ARRA placed new and additional limitations and restrictions on executive compensation for participants in the TARP CPP. The United States Department of Treasury will be issuing specific standards regarding the executive compensation provisions of the ARRA. Once such standards are issued, we will make any necessary changes to our executive compensation plans in order to comply with the ARRA.

Further, at the present time we are not aware of changes to other longer-term or deferred forms of executive compensation to offset any limitations imposed by the ESSA or ARRA executive compensation provisions.

In addition to the details provided above on executive compensation at IBC, we believe the following additional information is relevant;

- None of the senior executive officers of IBC was paid any bonus for 2008. Each such officer voluntarily declined the modest bonus for 2008 that was due for individual performance for 2008 under the Company's Management Incentive Compensation Plan.
- The base salaries for all senior officers of the Company were frozen in 2009 at 2008 levels.
- The Company's board of directors voluntarily imposed a 10% reduction in director compensation in 2009.

Our Management Incentive Compensation Plan includes components or targets related to asset quality and compliance. Thus we believe that our executive compensation plans do not promote taking unnecessary or excessive loan risks.

Please let us know if you have any questions on this response or require any additional information.

I, Robert N. Shuster, the Executive Vice President and Chief Financial Officer of the Company, certify that I have reviewed this response and the supporting documents, and, based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.

Very truly yours,

Robert N. Shuster

Robert N. Shuster
Executive Vice President and Chief Financial Officer
Independent Bank Corporation
230 West Main
Ionia, MI 48846
[redacted]

Exhibit A

Money is here, but where are borrowers?

NANCY CRAWLEY

BUSINESS EDITOR

Banks took another hit last week when GMAC began lending money to General Motors' car buyers within hours after getting a federal bailout.

Why can't banks pump up lending as quickly as GMAC has, a Detroit editorial demanded to know.

The public and Congress are lobbing a lot of complaints at U.S. banks these days, claiming they are not using the taxpayers' bailout money to make more loans and thaw out frozen credit markets.

But those news reports frustrate hometown bankers such as Robert Shuster.

The chief financial officer at Independent Bank Corp., Shuster says community banks like his are ready to lend, but customers are too skittish about the poor economy to take on more debt right now.

"It's not accurate to represent that banks won't lend," Shuster said when I called him about his bank receiving money in December from TARP (Troubled Asset Recovery Program). "We are seeing less demand" for loans.

Shuster blames the sickly economy.

"There's a big surge in (mortgage) refinancing but not a lot of people are purchasing homes or autos," he said. They are too worried about their jobs, eroding home values and the stock market, he said.

Independent Bank is in select company. It is the only West Michigan-based institution — and one of only three based in the state — to apply for and receive TARP money.

Robert Shuster

Citizens Republic Bank, of Flint, and United Bank, of Tecumseh, are the others. Chemical Financial, of Midland, decided not to take the loan, and Flagstar Bancorp., of Troy, got preliminary approval Friday.

The Ionia-based Independent was one of the earliest in line. It submitted its two-page application three days after rules were

SEE CRAWLEY, G2

Grand Rapids Press – January 4, 2009

CRAWLEY INDEPENDENT'S TARP MONEY USED TO PAY DOWN DEBT

CONTINUED FROM G1

published Oct. 21.

"We were delighted to be approved; we are very proud of the fact," Shuster said, noting Congress intended the loans to help only healthy banks. Not every bank was approved, he added.

On Dec. 12, the bank finalized a deal to accept $72 million in exchange for giving the feds preferred bank stock and the right to purchase common stock at $3.12 a share. (Last week, its stock was trading around $2 a share.)

Shuster's comments also came a few days after the Associated Press surveyed 21 big banks that had received at least $1 billion in TARP money. Not one would reveal how they used those taxpayer dollars.

That generated more angry complaints about banks.

So what did Independent do with its $72 million?

It was quickly used to pay off debt to the Federal Reserve, which supplies money to Independent.

Not surprisingly, there was no lender waiting to borrow $72 million that day, Shuster said, so the best use of the money was to pay off debt. As prudent money managers, "you have to do something with it," Shuster said.

But it also frees up other capital for this bank with 100 branches around Michigan. "Over time, we'll lend that money out, either through new deposits or borrowing new money," he said.

That money will work its way into the local economy. "Banks can leverage capital at about eight times, so we could make almost $600 million in loans," he said.

Meanwhile, Independent also is finding new commercial borrowers who are losing lines of credit from national lenders getting out of the Michigan market.

That all should help its stock price. The goal is for shareholders, including the U.S. government, to realize a profit.

"(The Fed says) we'll give you below-market-rates with the hope that capital markets will improve and your performance will improve," Shuster said. "Eventually, the bank will be able to issue new capital and retire that (TARP) loan."

In the meantime, Independent, like other TARP banks, has agreed not to raise its dividend for three years and not to repurchase stock without federal approval. It must also keep executive pay within reason.

That's not a problem, he said. "We already cut our dividend to one cent a share, and our compensation is already in line with the act."

The 145-year-old bank, with $3 billion in assets, could have navigated the crisis without the loan, Shuster insisted.

So why take it? "This gives us more fuel to weather the storm," he said. "No one knows how long and protracted this credit cycle will be."

But here's the message he wants people to know about community banks: "We all want to be lending."

That's why the bank is in business. "Our intent is to use the money as Congress envisioned, to make loans."

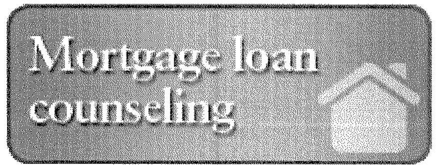
E-mail: ncrawley@grpress.com

Exhibit B

IB Loan Workout Options - Hierarchy

- Pre-Foreclosure
  - Modification / Refinance
  - Deed-in-Lieu – “Cash for Keys”
  - Deed-in-Lieu w/ Rental Option
  - Short Sale
  - Auction of Property by Owner
- Post Foreclosure Sale
  - Redemption Acceleration w/Option to Rent
  - Auction of Property by Owner
  - Redemption Acceleration Utilizing “Cash for Keys”
  - Short Sale
  - Redemption Acceleration via Filing for Abandonment
- Post Redemption
  - Borrower Still in Property? Rental Option
  - Borrower Still in Property, but Uncooperative - Eviction

Mortgage Counseling



Mortgage Loan Counseling

As a community bank, serving our customers is our number one priority. If you are experiencing financial challenges, we want you to know that we are here for you.

Flexible solutions designed to meet your needs

Independent Bank has seasoned mortgage counselors available to assist borrowers experiencing financial hardship. Our solutions are designed to be flexible so that we can find a program that fits your needs. We use a variety of workout solutions including:

- Refinances
- Loan modification
- Short-term repayment plans
- Forbearance plans
- Short sales
- Deed in lieu of foreclosure

Call us, we can help

If you are experiencing difficulty, the worst thing you can do is not contact your banker. At Independent Bank, we are committed to helping customers find the best solution.

- Loan counselors can be reached at **1.800.292.5020**, Monday through Friday from 8 a.m. to 8 p.m. and Saturday from 9 a.m. to 1 p.m.
- To contact us by email, please fill out the Contact Us form. So that we may better serve you, please note in the Comments box "Mortgage Loan Counseling."

Exhibit C

NEWS FROM

Independent Bank

FOR IMMEDIATE RELEASE

CONTACT: Robert N. Shuster
Executive Vice President and
Chief Financial Officer
616.522.1765

INDEPENDENT BANK SUSPENDS HOME FORECLOSURES

IONIA, Mich., Feb. 13, 2009 — Independent Bank Corporation (NASDAQ: IBCP), a leading Michigan-based community bank, announced today that it is suspending all foreclosures for Independent Bank owner-occupied loans for the next three weeks, while it awaits the announcement of further details regarding the federal government's proposed plans for assisting homeowners. The Obama administration is currently working on efforts to allocate $50 billion towards foreclosure prevention and establish national standards for modifying home loans.

Independent Bank's foreclosure moratorium applies to all first mortgage, owner-occupied loans held in the bank's portfolio. Although Independent Bank services mortgages that are backed by government-sponsored entities Fannie Mae and Freddie Mac, it cannot make changes to those loans without their consent. Both Fannie Mae and Freddie Mac recently announced they have halted evictions from foreclosed properties until next month. Independent Bank was recently recognized by Fannie Mae for its efforts in successfully pursuing loan workouts and modifications during 2008.

Independent Bank Corporation announced the receipt of $72 million in the fourth quarter 2008 as a result of its participation in the U.S. Treasury Capital Purchase Program (CPP). The receipt of those funds has enabled the Company to continue to actively pursue loan modifications and work-outs in lieu of foreclosure for mortgage loan customers experiencing financial difficulty, and to seek new lending opportunities. Independent Bank's loan volume in the sixty days since its receipt of the CPP capital totals $176.0 million that includes $53.9 million of commercial loans, $117.7 million of mortgage loans and $4.4 million of consumer installment loans.

Michael M. Magee, President and CEO of Independent Bank Corporation, commented: "We recognize the impact this challenging economic environment has had on our customers. Our decision to suspend foreclosures is just one of the many ways that Independent Bank continues to work with customers to help them save their homes during these difficult times."

About Independent Bank Corporation

Independent Bank Corporation (NASDAQ: IBCP) is a Michigan-based bank holding company with total assets of approximately $3 billion. Founded as First National Bank of Ionia in 1864, Independent Bank Corporation now operates over 100 offices across Michigan's Lower Peninsula through one state-chartered bank subsidiary. This subsidiary (Independent Bank) provides a full range of financial services, including commercial banking, mortgage lending, investments and title services. Payment plans to purchase vehicle service contracts are also available through Mepco Finance Corporation, a wholly owned subsidiary of Independent Bank. Independent Bank Corporation is committed to providing exceptional personal service and value to its customers, stockholders and the communities it serves.

For more information, please visit our Web site at: IndependentBank.com

Any statements in this news release 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 news release 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 news release or in any documents, Independent Bank Corporation claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Exhibit D

PROPOSAL SUBMITTED FOR YOUR VOTE — ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

Set forth under "Executive Compensation" below is our Compensation Discussion and Analysis that describes, among other things, our executive compensation policies and practices. The compensation discussion also summarizes certain executive compensation restrictions and requirements applicable to us as a result of our sale of preferred stock to the U.S. Treasury in December of 2008. One of those requirements is that our shareholders be given the opportunity to express their approval of the compensation of our executives, as disclosed in this Proxy Statement. Under the federal legislation that requires this vote, the shareholder vote is not binding on our Board and may not be construed as overruling any decision made by our Board. However, the Compensation Committee of our Board will take the outcome of this vote into consideration when making future executive compensation decisions.

Therefore, at the Annual Meeting of Shareholders, our shareholders will be given the opportunity to vote on an advisory (non-binding) resolution to approve the compensation of our executives. This vote proposal is commonly known as a "say-on-pay" proposal and gives our shareholders the opportunity to endorse or not endorse our executive pay program. You are encouraged to read the full details of our executive compensation program, including our primary objectives in setting executive pay, under "Executive Compensation" below.

The shareholders will be asked to approve the following resolution at the Annual Meeting:

> RESOLVED, that the shareholders of Independent Bank Corporation approve the compensation of the Company's executives, as described in the "Executive Compensation" section of the Company's 2009 Proxy Statement.

This is an advisory vote only and neither the Company nor its Board of Directors will be bound to take action based upon the outcome of this vote. The Compensation Committee of our Board will consider the outcome of the vote when considering future executive compensation arrangements.

The Board of Directors recommends a vote FOR this proposal to approve the resolution approving the compensation of our executives.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview and Objectives

The primary objectives of our executive compensation program are to (1) attract and retain talented executives, (2) motivate and reward executives for achieving our business goals, (3) align our executives' incentives with our strategies and goals, as well as the creation of shareholder value, and (4) provide competitive compensation at a reasonable cost. Consequently, our executive compensation plans are designed to achieve these objectives.

As described in more detail below, our executive compensation program has three primary components: base salary; an annual cash incentive bonus; and long-term incentive compensation that is payable in cash, stock options and stock grant awards. The Compensation Committee of our Board has not established policies or guidelines with respect to the specific mix or allocation of total compensation among base salary, annual incentive bonuses, and long-term compensation. However, as part of our long-standing "pay-for-performance" compensation philosophy, we typically set the base salaries of our executives somewhat below market median base salaries in return for above market median incentive opportunities. We believe that this approach has served the Company well over the years. Combined, our five Named Executives have served the Company for a total of 79 years.

The Compensation Committee of the Board has utilized the services of third-party consultants from time to time to assist in the design of our executive compensation programs and render advice on compensation matters generally. In 2006, the Compensation Committee engaged the services of Mercer Human Resource Consulting ("Mercer") to review our executive compensation programs. As part of those services, Mercer (1) reviewed our existing compensation strategies and plans, (2) conducted a study of peer group compensation, including the competitiveness and effectiveness of each element of our compensation program, as well as our historical performance relative to that peer group, and (3) recommended changes to our compensation program, including those directly applicable to our executive officers. The Committee retained Mercer again in 2008 to re-evaluate the Company's executive compensation program and to assist the Committee in evaluating its effectiveness and competitiveness as well as the relationship between pay and performance over the prior one and three-year periods.

Restrictions on Executive Compensation Under Federal Law

On December 12, 2008, the Company sold $72 million of its preferred stock and warrants to the U.S. Treasury under the Capital Purchase Program of the Troubled Asset Relief Program ("TARP"). Participants in TARP are subject to a number of limitations and restrictions on executive compensation, including certain provisions of the recently enacted American Recovery and Reinvestment Act of 2009 ("ARRA"). Under the ARRA, the Department of Treasury is required to establish standards regarding executive compensation relative to the requirements listed below. We expect that these standards will result in the clarification of some of the restrictions and conditions on executive compensation. The substance of this Compensation Discussion and Analysis is based upon the existing guidance issued by the Treasury Department as well as our current understanding of the substance of ARRA.

As a general matter, and subject to the promulgation of the above-referenced standards, until such time that the Company is no longer a TARP participant, we will be subject to the following requirements, among others, for 2009:

- Our incentive compensation program may not include incentives for our Named Executives (defined below) to take unnecessary and excessive risks that threaten the value of the Company;
- The Company is entitled to recover any bonus, retention award, or incentive compensation paid to any of its 25 most highly compensated employees based upon statements of earnings, revenues, gains, or other criteria that are later found to be materially inaccurate;
- The Company is prohibited from making any golden parachute payments to any of its 10 most highly compensated employees;
- Our compensation program may not encourage the manipulation of reported earnings to enhance the compensation of our employees;
- The Company may not pay or accrue any bonus, retention award, or incentive compensation to any of our Named Executives, other than payments made in the form of restricted stock, subject to the further condition that any such awards may not vest while the Company is a participant in TARP and that any award not have a value greater than one-third of the Named Executives total annual compensation; and
- Our shareholders must be given the opportunity to vote on an advisory (non-binding) resolution at the Annual Meeting to approve the compensation of our executives.

The foregoing discussion is intended to provide a background and context for the information that follows regarding our existing compensation programs to those persons who served as our executive officers during 2008 and to assist in understanding the information included in the executive compensation tables included below in our proxy statement.

Components of Compensation

The principal components of compensation we pay to our executives consist of the following:

- Base Salary;
- Annual Cash Incentive; and
- Long-Term Incentive Compensation, generally payable in the form of a combination of cash, stock options and restricted stock.

Base Salary

Base salaries are established each year for our executive officers. None of our executive officers has a separate employment agreement. In determining base salaries, we consider a variety of factors. Peer group compensation is a primary factor, but additional factors include an individual's performance, experience, expertise, and tenure with the Company. The executive compensation review conducted by Mercer, including its most recent evaluation, revealed that the base salaries of most of our executives are at or below competitive rates and market median levels.

Each year the Compensation Committee recommends the base salary for our President and CEO for consideration and approval by the full Board. For purposes of setting Mr. Magee's base salary of $382,000 for 2008, the Compensation Committee considered the results of the Mercer survey and recommendations, including compensation data from banking institutions of similar size in the Midwest, as well as Mr. Magee's contributions during the preceding year. For 2009, the Committee approved management's recommendation to freeze the base salary levels of all of our executive officers, including Mr. Magee.

The base salaries of other executive officers are established by our President and CEO. In setting base salaries, our President and CEO considers peer group compensation, as well as the individual performance of each respective executive officer. For the reasons noted above, the base salaries of our other Named Executives for 2009 remain unchanged from 2008 and are as follows: Mr. Shuster — $230,000; Mr. Reglin — $226,000; Mr. Kessel — $226,000; and Ms. Kimball — $226,000.

Annual Cash Incentives

Annual cash incentives are paid under the terms of our Management Incentive Compensation Plan. This Plan sets forth performance incentives that are designed to provide for annual cash awards that are payable if we meet or exceed the annual performance objectives established by our Board of Directors. Under this Plan, our Board establishes annual performance levels as follows: (1) threshold represents the performance level of what must be achieved before any incentive awards are payable; (2) target performance is defined as a desired level of performance in view of all relevant factors, as described in more detail below; and (3) the maximum represents that which reflects outstanding performance. As noted above, target performance under this Plan is intended to provide for aggregate annual cash compensation (salary and bonus) that approximates peer level compensation.

Threshold performance would result in earning 50 percent of the target incentive, target would be 100 percent, and maximum would be 200 percent, with compensation prorated between these award levels. Target incentive is defined as 65 percent of base salary for our CEO and 50 percent of base salary for our other Named Executives. For 2008, 70 percent of the performance goal was based upon Company performance criteria while 30 percent was based upon predetermined individual goals. With respect to Company performance for 2008, 75 percent of the performance criteria was based upon after-tax earnings per share (EPS) and 25 percent was based upon corporate asset quality (non-performing assets as a percentage of total assets).

The following is an example of how our annual incentive plan operated for 2008. If the Company achieved targeted performance for the EPS goal and threshold performance for asset quality, and assuming (a) a base salary of $200,000, (b) target incentive of 50 percent of base salary, and (c) the achievement of targeted individual performance, the annual bonus would be computed as follows:

Target Bonus			Criteria		Performance Achieved		
$	100,000	x	EPS (.7 x 75%)	x	1.0	=	$52,500
$	100,000	x	Asset Quality (.7 x 25%)	x	.5	=	8,750
$	100,000	x	Individual Performance (.3)	x	1.0	=	30,000
							$91,250

Under the terms of the plan, participants may earn a bonus based upon individual performance relative to targeted performance, irrespective of whether the Company achieves its performance targets. Based upon the Company's financial performance for 2008, no bonuses were earned by any of the Named Executives under the Company's performance criteria. The Company's 2008 earnings per share and asset quality were below the threshold levels of $1.05 and 1.5 percent, respectively. While the Named Executives did qualify to be paid relatively modest amounts for individual performance in 2008, the Committee approved management's recommendation that no bonuses be paid for the achievement of these individual performance goals in 2008.

For 2009, 75 percent of the performance goal is based upon Company performance, while 25 percent is based upon predetermined individual goals. Given the significance of the changes in the financial markets and the national and local economies, and their impact on the Company, the Committee elected to change the corporate performance standards for 2009 based upon the Company's success in after-tax EPS, its success in reducing its loan loss provision and success in growing core deposits. Each of the factors are weighted 25 percent. For 2009, the performance goals for the Company are as follows:

	EPS	Loan Loss Provision	Core Deposits
Threshold	$0.00	$ 51 million	$ 1.9 billion
Target	0.30	45 million	2.0 billion
Maximum	1.00	16 million	2.2 billion

Following the recent adoption of the ARRA, discussed above, we currently understand that none of the Named Executives will be eligible to receive any payments under our annual Management Incentive Compensation Plan for performance in 2009. Annually, the Committee is to set these performance goals not later than the 60th day of each year. The awards are paid in full following certification of the Company's financial results for the performance period.

Long-Term Incentive Program

Following the Committee's and Board's review and analysis of Mercer report, effective January 1, 2007, the Board adopted a long-term incentive program that includes three separate components: stock options, restricted stock, and long-term cash, each of which comprise one-third of the total long-term incentive grant each year. The target value of the cumulative amount of these awards is set at 100 percent of our CEO's salary and 50 percent for each of our other Named Executives. Because the first possible payout under the cash portion of the long-term program cannot be made until 2010 (the year after the first three-year performance period), the Committee elected to grant stock options and restricted stock having a value equal to the aggregate target bonuses under the long-term incentive program for both 2007 and 2008. For 2009, and as explained in more detail below, the Committee authorized only the grant of stock options under this program at a target value well below two-thirds of the target bonus.

Cash Incentive Elements. The Committee adopted performance goals for the cash portion of this long-term incentive program, based upon the Company's three-year total shareholder return (TSR). TSR is determined by dividing the sum of our stock price appreciation and dividends by our stock price at the beginning of the performance period. The first performance period is the three year period beginning January 1, 2007. For purposes of determining achievement, the Company's TSR is measured against the NASDAQ Bank Index median TSR over the same period. The Committee established the three target levels of performance, with threshold at the 50th percentile, target at the 70th percentile and maximum at the 90th percentile.

Equity-Based Incentive Element. The other two-thirds of the program are made up of stock options and shares of restricted stock, each of which are awarded under the terms of our Long-Term Incentive Plan. These awards are recommended by the Committee, and approved by the Board, at the Board's first meeting in each calendar year and after the announcement of our earnings for the immediately preceding year. Under this Plan, the Committee has the authority to grant a wide variety of stock-based awards. The exercise price of options granted under this Plan may not be less than the fair market value of our common stock at the date of grant; options are restricted as to transferability and generally expire ten years after the date of grant. The Plan is intended to assist our executive officers in the achievement of our share ownership guidelines. Under these guidelines (1) our CEO is expected to own Company stock having a market value equal to twice his base salary, (2) our executive vice presidents are to own stock having a market value of not less than 125 percent of their respective base salaries, and (3) our senior vice presidents are to own stock having a market value of not less than 50 percent of their respective base salaries. Not more than 75 percent of the shares held by an executive in our ESOP may count toward the achievement of these guidelines, and only "in the money" stock options granted after January 1, 2004, count as well.

These guidelines apply ratably over a five-year period commencing January 1, 2004, or the date of hire or promotion to one of these positions.

The value of the options that make up one-third of our long-term incentive program are measured under Statement of Financial Accounting Standards (SFAS) No. 123R and vest ratably over three years. The value of the shares of the restricted stock that make up the final one-third of our long-term incentive program is based upon the grant date value of the shares of our common stock. These shares do not vest until the fifth anniversary of the grant date.

Due to the limited number of shares available for issuance under the terms of our Long-Term Incentive Plan, the Committee elected to grant the entire amount of the equity portion of the long-term incentive program in the form of restricted shares of common stock for 2008. The value of the shares of restricted stock, based upon the grant date values, equaled 100 percent of our CEO's base compensation and 50 percent of the base compensation of each of our other Named Executives. As of the time of the annual grant for equity-based awards under the Plan in 2009, there remained approximately 300,000 shares available for grant under the Plan. Due to the limited number of remaining shares available for award, and due to the fact that the Committee utilized restricted stock awards exclusively in 2008, the Committee approved the grant of options covering a total of 299,987 shares for 2009, which were allocated among participants in accordance with their respective target bonuses under the Long-Term Incentive Program.

Severance and Change in Control Payments

The Company has in place Management Continuity agreements for each of our executive officers. These agreements provide severance benefits if an individual's employment is terminated within 36 months after a change in control or within six months before a change in control and if the individual's employment is terminated or constructively terminated in contemplation of a change in control for three years thereafter. For purposes of these agreements, a "change in control" is defined to mean any occurrence reportable as such in a proxy statement under applicable rules of the Securities and Exchange Commission, and would include, without limitation, the acquisition of beneficial ownership of 20 percent or more of our voting securities by any person, certain extraordinary changes in the composition of our Board 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 an individual's employment is terminated for cause, employment terminates due to an individual's death or disability, or the individual resigns without "good reason." An individual may resign with "good reason" after a change in control and receive his or her severance benefits if an individual's salary or bonus is reduced, his or her duties and responsibilities are inconsistent with his or her prior position, or there is a material, adverse change in the terms or conditions of the individual's employment. The agreements are for self-renewing terms of three years unless we elect not to renew the agreement. The agreements are automatically extended for a three-year term from the date of a change in control. These agreements provide for a severance benefit in a lump sum payment equal to 18 months to three years' salary and bonus and a continuation of benefits' coverage for 18 months to three years. These benefits are limited, however, to one dollar less than three times an executive's "base amount" compensation as defined in Section 280G of the Internal Revenue Code of 1986, as amended.

Other Benefits

We believe that other components of our compensation program, which are generally provided to other full-time employees, are an important factor in attracting and retaining highly qualified personnel. Executive officers are eligible to participate in all of our employee benefit plans, such as medical, group life and accidental death and dismemberment insurance and our 401(k) Plan, and each case on the same basis as other employees. We also maintain an ESOP that provides substantially all full-time employees with an equity interest in our Company. Contributions to the ESOP are determined annually and are subject to the approval of our Board of Directors. Contributions for the year ended December 31, 2008, were equal to 3 percent of the eligible wages for each of the approximately 1,100 participants in the ESOP, including each of our executive officers.

Exhibit E

Independent Bank

Robert N. Shuster
230 West Main Street
Ionia, MI 48846

Dear Rob,

Independent Bank Corporation (the "*Company*") anticipates entering into a Securities Purchase Agreement (the "*Agreement*"), with the United States Department of Treasury ("*Treasury*") that provides for the Company's participation in the Treasury's TARP Capital Purchase Program (the "*CPP*"). If the Company does not participate or ceases at any time to participate in the CPP, this letter shall be of no further force and effect.

As a condition to consummation of the transactions contemplated under the Agreement, the Company is required to take certain actions with respect to compensation arrangements of its senior executive officers. The Company has determined that you are a senior executive officer for purposes of the CPP. To comply with the requirements of the CPP, and in consideration of the benefits that you will receive as a result of the Company's participation in the CPP and for other good and valuable consideration, the sufficiency of which you hereby acknowledge, you agree as follows:

(1) No Golden Parachute Payments. You will not be entitled to receive from the Company any Golden Parachute Payment (as defined below) during any period in which the Treasury holds any equity or debt securities acquired from the Company in the CPP (the "*CPP Covered Period*").

(2) Recovery of Bonus and Incentive Compensation. You will be required to and shall return to the Company any bonus or incentive compensation paid to you by the Company during the CPP Covered Period if such bonus or incentive compensation is paid to you based on the Company's materially inaccurate financial statements or any other materially inaccurate performance metric criteria.

(3) Compensation Program Amendments. Each of the Company's compensation, bonus, incentive and other benefit plans, arrangements and agreements (all such plans, arrangements and agreements, the "*Benefit Plans*") are hereby amended to the extent necessary to give effect to provisions (1) and (2) above.

The Company is also required as a condition to participation in the CPP to review the Benefit Plans to ensure that the Benefit Plans do not encourage its senior executive officers to take unnecessary and excessive risks that threaten the value of the Company. To the extent that the Company determines that the Benefit Plans must be revised as a result of such review, you and the Company agree to negotiate and effect such changes promptly and in good faith.

(4) Definitions. This letter assumes and includes the following defined terms:

- "*Golden Parachute Payment*" is used with same meaning as in Section 111(b)(2)(C) of EESA.

- "*EESA*" means the Emergency Economic Stabilization Act of 2008 as implemented by guidance or regulation issued by the Department of the Treasury and as published in the Federal Register on October 20, 2008, as in effect on the date hereof.

- The term "*Company*" includes any entities treated as a single employer with the Company under 31 C.F.R. § 30.1(b).

- Provisions (1) and (2) of this letter are intended to, and will be interpreted, administered and construed to, comply with Section 111 of EESA (and, to the maximum extent consistent with the preceding, to permit operation of the Benefit Plans in accordance with their respective terms before giving effect to this letter).

(5) Miscellaneous. To the extent not subject to federal law, this letter will be governed by and construed in accordance with the laws of the state of Michigan without regard the provisions thereof that would apply the law of any other state. This letter may be executed in two or more counterparts, each of which will be deemed to be an original. A signature transmitted by facsimile shall be deemed an original signature.

Sincerely,

INDEPENDENT BANK CORPORATION

By:____________________
Name: Michael M. Magee, Jr.
Title: President and Chief Executive Officer

Intending to be legally bound, I agree with and accept the foregoing terms on the date set forth below.

____
Robert N. Shuster
Date: December 12, 2008