

INDEPENDENT BANK CORP /MI/  
Form PRE 14A  
December 10, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a – 101)**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Independent Bank Corporation**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies: "

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

(4) Proposed maximum aggregate value of transaction: "

(5) Total fee paid: "

Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:





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

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**Date:** **Friday, January 29, 2010**

**Time:** **[ ] a.m. Eastern Time**

**Location:** **Johnson Building, Second Floor**

**227 Main Street, Ionia, Michigan 48846**

We invite you to attend this Independent Bank Corporation Special Meeting of Shareholders to:

1. Consider and vote upon a proposal to amend our Articles of Incorporation to increase the number of authorized shares of common stock from 60 million shares to 500 million shares;
2. Consider and vote upon a proposed stock option exchange program, under which eligible employees would be able to exchange certain options for a lesser number of new options on the terms described in this proxy statement;

3. Consider and vote upon a proposal to issue additional shares of our common stock in exchange for certain outstanding trust preferred securities and in exchange for certain outstanding shares of preferred stock;
4. Grant management the authority to adjourn, postpone, or continue the Special Meeting; and
5. Transact any other business that is properly submitted before the Special Meeting or any adjournments or postponements of the Special Meeting.

The record date for the Special Meeting is December \_\_\_\_, 2009. Only shareholders of record at the close of business on that date can vote at the Special Meeting. We mailed this Notice of Special Meeting of Shareholders to those shareholders of record. Action may be taken at the Special Meeting on any of the foregoing proposals on the date specified above or any date or dates to which the Special Meeting may be adjourned or postponed.

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

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

By Order of the Board of Directors,

Robert N. Shuster

*Corporate Secretary*

December \_\_\_\_, 2009

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## **INDEPENDENT BANK CORPORATION**

### **PROXY STATEMENT**

#### **GENERAL INFORMATION**

This proxy statement is being furnished to solicit proxies on behalf of the Board of Directors (the "Board") of Independent Bank Corporation, a Michigan corporation (the "Company," "IBC," "we" or "us"), for use at the IBC Special Meeting of Shareholders to be held on Friday, January 29, 2010, at the Johnson Building, Second Floor, 227 Main Street, Ionia, Michigan, 48846 at [ ] a.m., Eastern Time (the "Special Meeting"), and at any adjournment or postponement thereof. This proxy statement and the accompanying proxy are first being sent to IBC shareholders on or about December \_\_\_\_, 2009.

The purpose of the Special Meeting is:

1. Consider and vote upon a proposal to amend our Articles of Incorporation to increase the number of authorized shares of common stock from 60 million shares to 500 million shares;
2. Consider and vote upon a proposed stock option exchange program, under which eligible employees would be able to exchange certain options for a lesser number of new options on the terms described in this proxy statement;
3. Consider and vote upon a proposal to issue shares of our common stock in exchange for certain outstanding trust preferred securities and in exchange for certain outstanding shares of preferred stock;
4. Grant management the authority to adjourn, postpone, or continue the Special Meeting; and
5. Transact any other business that is properly submitted before the Special Meeting or any adjournments or postponements of the Special Meeting.

**Principal Executive Office**

The address of our principal executive office is 230 W. Main Street, Ionia, Michigan 48846.

### **Voting Information**

The record date for the Special Meeting is December \_\_\_\_, 2009. Only shareholders of record at the close of business on that date can vote at the Special Meeting. We mailed this Notice of Special Shareholder Meeting to those shareholders of record. Action may be taken at the Special Meeting on any of the foregoing proposals on the date specified above or any date or dates to which the Special Meeting may be adjourned or postponed.

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 Special 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 amendment to our Articles of Incorporation to increase the number of authorized shares of common stock from 60 million to 500 million, FOR the proposed stock option exchange program, FOR the proposal to permit IBC to issue common stock in accordance with Nasdaq Marketplace Rule 5635 in exchange for certain outstanding trust preferred securities and in exchange for certain outstanding shares of preferred stock, and FOR any proposal to adjourn, postpone, or continue the Special Meeting.

Whether or not you plan to attend the Special Meeting, please complete and mail the enclosed proxy card promptly so that your shares will be voted as you desire. If voting by mail, we must receive your completed proxy card no later than [ ] p.m. Eastern Time on [ ], 2009, or your vote will not be counted. **You may also vote by telephone or by the Internet by following the instructions for using the automated telephone and Internet voting systems provided on the proxy card.** To vote by telephone, shareholders of record (shareholders who have been issued a certificate representing their shares) may call toll free on a touch-tone telephone 1-800-PROXIES (1-800-776-9437) and follow the recorded instructions. To vote by Internet, go to the site <http://www.voteproxy.com> and follow the instructions provided. If voting by phone or by the Internet, you must submit your vote by no later than [ ] a.m. Eastern Time on [ ], 2009, or your vote will not be counted.

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

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

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

The Board recommends that you vote FOR the proposal to amend the Articles of Incorporation to increase the number of authorized shares of common stock from 60 million to 500 million shares.

The Board recommends that you vote FOR the proposal to approve the stock option exchange program.

The Board recommends that you vote FOR the proposal to permit IBC to issue additional shares of our common stock in exchange for certain outstanding trust preferred securities and in exchange for certain outstanding shares of preferred stock.

The Board recommends that you vote FOR the proposal to grant management the authority to adjourn, postpone, or continue the Special Meeting.

### **Attending the Special Meeting**

We reserve the right to only admit persons with proof of share ownership to the Special Meeting. If your shares are not registered in your name, you must bring proof of share ownership (such as a recent bank or brokerage firm account statement, together with photo identification) to be admitted to the Special Meeting.

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

### **Note Regarding Independence of Proposals**

Although we are asking shareholders to approve each of the four proposals described in this proxy statement, none of these proposals is conditioned upon the approval of any other proposal. However, if shareholders fail to approve the proposal to amend our Articles of Incorporation to increase the number of authorized shares from 60 million to 500 million (Proposal 1) but approve the proposal to permit us to issue additional shares of common stock in exchange for certain outstanding trust preferred securities and preferred stock (Proposal 3), then our ability to pursue such proposed exchange transactions will be materially limited.

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**PROPOSAL 1**

**APPROVE AN AMENDMENT TO THE ARTICLES OF INCORPORATION**

**TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK**

**General**

Our Board has unanimously adopted a resolution, subject to shareholder approval, to amend the first paragraph of Article III of our Articles of Incorporation to read as follows:

The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is five hundred million two hundred thousand (500,200,000) shares, of which five hundred million (500,000,000) shares shall be common stock of the par value of \$1.00 per share, and two hundred thousand (200,000) shares shall be series preferred stock, without par value.

This amendment will increase our authorized common stock from 60,000,000 shares to 500,000,000 shares. The purpose of the amendment is to provide additional shares of common stock for future issuance, including with respect to the transactions described below. As of the record date, there were approximately [24,029,125] shares of common stock issued and outstanding, [1,568,105] stock options granted but not exercised, [134,672] shares reserved for issuance under our stock compensation plans, and an outstanding warrant to purchase 3,461,538 shares of common stock. As a result, as of the record date, approximately [31,818,134] shares of common stock remain available for future issuance. We also have 72,000 shares of Series A preferred stock issued and outstanding as of the record date.

The Board considers the proposed increase in the number of authorized shares desirable because it would give the Board greater flexibility and provide sufficient shares available for issuance if needed to augment our capital base or for other general corporate purposes, including the transactions described below.

If our shareholders approve the amendment, it will become effective upon the filing of a Certificate of Amendment to our Articles of Incorporation with the Department of Energy, Labor & Economic Growth of the State of Michigan, which we expect to occur promptly following the Special Meeting.

**Purpose of the Amendment – Potential Issuances of Common Stock**

The purpose of this proposed increase in authorized common stock is to make available additional shares of common stock for issuance in an effort to improve our capital levels and for other business and finance purposes. Although our regulatory capital ratios remain at levels above federal regulatory "well capitalized" standards, because of the losses we have incurred in recent quarters, our elevated levels of non-performing loans and other real estate, and the ongoing economic stress in Michigan, we have recently taken certain actions to improve our regulatory capital ratios and to preserve liquidity, including eliminating the cash dividend on our common stock, deferring dividends on our preferred stock, and deferring interest payments on our subordinated debentures and the dividends on the related trust preferred securities. These actions will preserve cash at IBC as we do not expect Independent Bank, our bank subsidiary, to be able to pay any cash dividends in the near term.

In addition to these actions, we are currently considering various initiatives to increase our capital and strengthen our balance sheet through a variety of means involving the issuance or potential issuance of common stock, including the transactions described below. As a result, we are seeking shareholder approval of an amendment to our Articles of

Incorporation in order to increase the number of shares of common stock we are authorized to issue to allow us to raise additional capital in the near term and to provide additional shares for future issuances should further capital needs arise.

The transactions we are currently proposing or considering include:

- We currently intend to make an offer to holders of trust preferred securities issued by each of IBC Capital Finance IV, IBC Capital Finance III, and Midwest Guaranty Trust I to exchange shares of our common stock for such trust preferred securities. If this offer is made and is fully successful, this exchange could convert up to \$39.5 million in aggregate liquidation amount of outstanding trust preferred securities, plus an amount equal to accrued but unpaid distributions on such securities, to common stock. As previously announced, we recently elected to defer regularly scheduled quarterly interest payments on our junior subordinated debentures owned by each of our trust subsidiaries, including IBC Capital Finance IV, IBC Capital Finance III, and Midwest Guaranty Trust I. See "Proposal 3 - Approve the Issuance of Common Stock in Exchange Transactions in Accordance with Nasdaq Marketplace Rule 5635" below for more information regarding this proposal. The trust preferred securities described in this paragraph are collectively referred to as the "Institutional Trust Preferred Securities," and the proposed exchange offer described in this paragraph is referred to as the "Institutional TP Exchange Offer."
- We are in discussions with the United States Department of the Treasury (the "Treasury"), as the holder of our outstanding shares of Series A Fixed Rate Cumulative Perpetual Preferred Stock, \$1,000 liquidation preference per share (the "CPP Preferred Shares"), to exchange shares of our common stock for such CPP Preferred Shares. If an agreement is reached with the Treasury with respect to such exchange, this transaction could convert up to \$72 million in aggregate liquidation amount of outstanding CPP Preferred Shares, plus an amount equal to accrued but unpaid dividends on such securities, to common stock. As previously announced, we recently elected to defer regularly scheduled quarterly dividend payments on such CPP Preferred Shares. See "Proposal 3 - Approve the Issuance of Common Stock in Exchange Transactions in Accordance With Nasdaq Marketplace Rule 5635" below for more information regarding this proposal. The potential exchange offer described in this paragraph is referred to as the "CPP Exchange Offer."
- We currently intend to make an offer to exchange shares of our common stock for outstanding trust preferred securities issued by IBC Capital Finance II that are traded on the Nasdaq Global Select Market. If this offer is made and is fully successful, this exchange could convert up to \$50.6 million in aggregate liquidation amount of outstanding trust preferred securities, plus an amount equal to accrued but unpaid distributions on such securities, to common stock. As previously announced, we recently elected to defer regularly scheduled quarterly interest payments on our junior subordinated debentures owned by each of our trust subsidiaries, including IBC Capital Finance II. The trust preferred securities described in this paragraph are

collectively referred to as the "Retail Trust Preferred Securities," and the potential exchange offer described in this paragraph is referred to as the "Retail TP Exchange Offer."

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- We are considering one or more offerings of common stock or securities convertible into common stock for cash (any such offering is referred to as a "Cash Offering").

There would be no cash proceeds to IBC from the issuance of common shares pursuant to the Institutional TP Exchange Offer, the Retail TP Exchange Offer, or the CPP Exchange Offer. Any cash proceeds resulting from other transactions that may be undertaken, such as any Cash Offering, would be used for general corporate purposes and to strengthen the capital position of IBC's subsidiary bank, Independent Bank. We have not made any other determination about any specific use of proceeds.

This proxy statement describes certain capital raising initiatives currently being considered by the Board. As discussed in further detail under Proposal 3 of this proxy statement, certain of these initiatives will require shareholder approval before additional shares of our common stock can be issued in connection with such initiative. Specifically, Nasdaq Marketplace Rule 5635 requires shareholder approval prior to the sale or issuance (or potential issuance) of shares, in a transaction other than a public offering, equal to 20% or more of our outstanding common stock or 20% or more of the voting power of our capital stock outstanding before the issuance, if the sale price of the common stock is less than the greater of the book or market value of the common stock. As discussed in Proposal 3 of this proxy statement, both the Institutional TP Exchange Offer and the CPP Exchange Offer will require such shareholder approval. However, the Retail TP Exchange Offer mentioned above will not require such shareholder approval as this transaction would be deemed a "public offering" under Nasdaq Marketplace Rules. Whether a Cash Offering would require further shareholder approval will depend on the terms of the Cash Offering. If the Cash Offering constitutes a "public offering" under Nasdaq Marketplace Rules, then we do not anticipate that shareholder approval would be required. Our Board is currently contemplating a Cash Offering that would constitute a public offering in which we would seek to raise as much as \$50 million to \$150 million in aggregate cash proceeds. If we decide to pursue a Cash Offering of that nature, we would not seek further shareholder approval before doing so. If we decide to pursue a Cash Offering that requires shareholder approval under Nasdaq Marketplace Rules or otherwise, we would seek such shareholder approval at that time. We currently do not propose to undertake any Cash Offering that would require further approval from our shareholders.

If this proposal is approved by our shareholders, the additional authorized shares of common stock would also be available from time to time for other corporate purposes, including acquisitions of other companies or other assets, stock dividends, stock splits, other stock distributions, and in connection with equity-based benefit plans. Authorized but unissued shares of our common stock may be issued from time to time upon authorization by our Board, at such times, to such persons, and for such consideration as the Board may determine in its discretion and generally without further approval by our shareholders (except as may be required for any particular transaction by applicable law, regulation, or stock exchange rule). However, the Board has not (as of the date this proxy statement is being mailed) made any commitment to issue the additional shares of common stock. The Board does not intend to issue any shares except on terms it deems to be in the best interest of the Company and its shareholders. However, given our current capital position and the difficult economic environment in which we are operating, it is reasonable to expect that additional shares of common stock or securities convertible into common stock will be issued in the near future, including pursuant to the proposed transactions described in this proxy statement.

### **Effect of the Amendment**

The additional shares of common stock to be authorized by adoption of the amendment would have rights identical to the currently outstanding shares of common stock. Adoption of the proposed amendment and issuance of the common stock would not affect the rights of the holders of currently outstanding common stock, except for effects incidental to increasing the number of shares of our common stock outstanding, such as dilution of the earnings per share and



voting rights of current holders of common stock. Under our Articles of Incorporation, our shareholders do not have preemptive rights with respect to our common stock. As a result, if our Board decides to issue additional shares of our common stock, existing holders of our common stock would not have any preferential rights to purchase such shares. See "Effect on Outstanding Common Stock" below for more information regarding the potential dilution to our current shareholders.

The additional shares of common stock that would become available for issuance if this amendment is adopted could also be used by us to oppose a hostile takeover attempt or to delay or prevent changes in control or management of the Company. For example, without further shareholder approval, the Board could strategically sell shares of common stock in a private transaction to purchasers who would oppose a takeover or favor the current Board. Although this amendment to increase the authorized common stock has been prompted by the business and financial considerations described above and not by the threat of any hostile takeover attempt (nor is the Board currently aware of any such attempts directed at us), shareholders should be aware that approval of this amendment could facilitate future efforts by us to deter or prevent changes in control.

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The issuance of additional shares, or the perception that additional shares may be issued, may also adversely affect the market price of our common stock.

Under the Michigan Business Corporation Act, our shareholders are not entitled to dissenter's rights with respect to the amendment of the Articles of Incorporation to increase the authorized shares of common stock.

### **Certain Material Terms of the Common Stock**

All of the outstanding shares of our common stock are fully paid and nonassessable. Subject to the prior rights of the holders of shares of preferred stock that may be issued and outstanding, the holders of common stock are entitled to receive:

- dividends when, as and if declared by our Board out of funds legally available for the payment of dividends; and
- in the event of dissolution of IBC, to share ratably in all assets remaining after payment of liabilities and satisfaction of the liquidation preferences, if any, of then outstanding shares of preferred stock, as provided in our Articles of Incorporation.

As a result of our election to defer regularly scheduled quarterly payments on outstanding trust preferred securities issued by our trust subsidiaries and on our outstanding shares of preferred stock, we are currently prohibited from paying any cash dividends on shares of our common stock.

In addition, even if we re-commence regularly scheduled quarterly payments on such outstanding trust preferred securities and on our outstanding shares of preferred stock, there are still significant restrictions on our ability to pay dividends on our common stock. Pursuant to the Letter Agreement we entered into with the Treasury, dated December 12, 2008, we completed our sale to the Treasury as part of the Treasury's Capital Purchase Program of the Troubled Asset Relief Program ("TARP") of the CPP Preferred Shares, and a warrant to purchase common shares. Our agreements with the Treasury prevent us from paying quarterly cash dividends on our common stock in excess of \$.01 per share and (with certain exceptions, including those described below) repurchasing shares of common stock. These restrictions will remain in effect until the earlier of December 12, 2011 or such time as the Treasury no longer holds the CPP Preferred Shares. One of the proposals described in this proxy statement is our proposal to issue shares of our common stock to the Treasury in exchange for such CPP Preferred Shares.

The Treasury's Capital Purchase Program permits us to repurchase shares of our common stock only under limited circumstances, including the following:

- in connection with the administration of any employee benefit plan in the ordinary course of business and consistent with past practice;
- the redemption or repurchase of rights pursuant to any shareholders' rights plan;

- the acquisition of record ownership of common stock or other securities that are junior to or on a parity with the CPP Preferred Shares for the beneficial ownership of any other persons, including trustees or custodians; and
- the exchange or conversion of common stock for or into other securities that are junior to or on a parity with the CPP Preferred Shares or trust preferred securities for or into common stock or other securities that are junior to or on a parity with the CPP Preferred Shares, in each case solely to the extent required pursuant to binding contractual agreements entered into prior to December 12, 2008 or any subsequent agreement for the accelerated exercise, settlement or exchange thereof for common stock.

In addition, as a bank holding company, our ability to pay distributions will be affected by the ability of Independent Bank to pay dividends under applicable laws, rules and regulations. The ability of Independent Bank, as well as IBC, to pay dividends in the future currently is, and could be further, affected by bank regulatory requirements and capital guidelines.

Each holder of common stock is entitled to one vote for each share held of record on all matters presented to a vote at a shareholders meeting, including the election of directors. Holders of common stock have no cumulative voting rights or preemptive rights to purchase or subscribe for any additional shares of common stock or other securities, and there are no conversion rights or redemption or sinking fund provisions with respect to the common stock. Our common stock is currently traded on the Nasdaq Global Select Market under the symbol "IBCP."

#### **Effect on Outstanding Common Stock**

If shareholders approve the adoption of the amendment to our Articles of Incorporation, our Board is likely to pursue the issuance of additional shares of common stock in connection with the Institutional TP Exchange Offer, the Retail TP Exchange Offer, and the CPP Exchange Offer, as referenced above and discussed below in more detail; however, there is no current commitment to do so and our Board could determine to abandon one or more of such transactions or pursue one or more transactions on terms different than those described above, at its discretion. In addition, our Board is currently contemplating a Cash Offering pursuant to which we would seek to raise as much as \$50 million to \$150 million in aggregate gross proceeds.

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The amount of capital we may seek to raise through issuances of common stock, including through the initiatives under consideration and referenced above or through other means, is likely to be substantial.

The authorization of the additional shares would not, by itself, have any effect on the rights of shareholders. However, holders of common stock have no preemptive rights to acquire additional shares of common stock, so the future issuance of shares of common stock, including pursuant to the transactions discussed above or any other potential capital raising initiative, is likely to have an immediate and significant dilutive effect on earnings per share and the voting power of existing shareholders at the time of the issuance.

The following tables show the relative size of the transactions currently contemplated by the Company by showing the percentage of outstanding stock that could be issued in such transactions, based on the assumptions described in the footnotes to the tables. We have shown the pro forma impact of a "High Range Alternative" and a "Low Range Alternative" with respect to the transactions, prepared using the assumptions set forth below. The "High Range Alternative" assumes (i) the tender of 75% of the outstanding Retail Trust Preferred Securities and exchange (after proration, if any) of such securities for common stock, (ii) the tender of 75% of the outstanding Institutional Trust Preferred Securities and exchange (after proration, if any) of such securities for common stock, (iii) the tender of the entire \$72 million of outstanding CPP Preferred Shares and exchange of such securities for common stock, and (iv) an underwritten public offering of our common stock for aggregate gross proceeds of \$150 million. The "Low Range Alternative" assumes (i) the tender and exchange of 25% of the outstanding Retail Trust Preferred Securities for common stock, (ii) the tender and exchange of 25% of the outstanding Institutional Trust Preferred Securities for common stock, (iii) no CPP Exchange Offer, and (iv) an underwritten public offering of our common stock for aggregate gross proceeds of \$50 million.

We have assumed the participation rates described above for the Retail TP Exchange Offer and the Institutional TP Exchange Offer based on the results of recently concluded similar exchange offers by similarly situated issuers. We are only in preliminary discussions with the Treasury, as the sole holder of the CPP Preferred Shares, regarding the proposed CPP Exchange Offer. We have not received any indication from the Treasury as to its willingness to exchange any CPP Preferred Shares for shares of our common stock or the pricing or other terms upon which it would participate in any such exchange. There is no assurance the Treasury will agree to participate in the CPP Exchange Offer on terms acceptable to us or at all. We have included the potential dilution that would result from a proposed Cash Offering (see the assumptions disclosed in footnotes (1) and (5) to each of the tables below), but there is no assurance we will be successful in completing any such Cash Offering on such terms or at all.

The proposed stock option exchange program (Proposal 2, described below) will not have a material dilutive effect on existing shareholders and is therefore not reflected or included in the tables below.

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**No. of Shares to be Issued in Transactions Under Consideration****Low Range Alternative (25% Participation in Exchange Offers,****No CPP Exchange and \$50 Million Cash Offering)***(Based on Assumptions in Footnotes to Table)*

<b>Relevant Price (1)</b>	<b>Institutional TP Exchange Offer (2)</b>	<b>Retail TP Exchange Offer (3)</b>	<b>CPP Preferred Exchange Offer (4)</b>	<b>Cash Offering (5)</b>	<b>% of Total Outstanding (6)</b>
\$1.00	7,900,000	10,120,000	0	51,429,747	74.29%
\$0.95	8,315,790	10,652,632	0	54,136,576	75.26%
\$0.90	8,777,778	11,244,445	0	57,144,164	76.25%
\$0.85	9,294,118	11,905,883	0	60,505,585	77.27%
\$0.80	9,875,000	12,650,000	0	64,287,184	78.32%
\$0.75	10,533,334	13,493,334	0	68,572,996	79.40%
\$0.70	11,285,715	14,457,143	0	73,471,068	80.50%
\$0.65	12,153,847	15,569,231	0	79,122,688	81.64%
\$0.60	13,166,667	16,866,667	0	85,716,245	82.81%

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- (1) Relevant Price is the price per share of our common stock used to determine the number of shares that would be issued in exchange for the tendered trust preferred securities and the CPP Preferred Shares. The actual price used in the exchange offers for the trust preferred securities is proposed to be the mathematical average of the volume weighted average price of common shares for the five consecutive trading days ending on and including the second trading day immediately preceding the expiration date of the applicable exchange offer. The actual price used in any exchange of common stock for the CPP Preferred Shares will be as negotiated with Treasury, but is likely to be based on the market value our common stock. The actual price used in any Cash Offering in which we offer to sell shares of our common stock to the public is likely to be at some discount to the market value of our common stock. For purposes of the table above, we have assumed the Cash Offering would be conducted at a price equal to 97.22% of the market value of our common stock. The table contains only an estimated range of potential values for our common shares. The closing price of our common shares on the Nasdaq Global Select Market on December 7, 2009, was \$0.73 per share.
- (2) Assumes that 25% of the outstanding Institutional Trust Preferred Securities will be tendered for exchange and that for each \$1,000 liquidation amount of Institutional Trust Preferred Securities tendered, a holder would receive common stock with a value equal to \$800, which is equal to 80% of the \$1,000 liquidation amount.
- (3) Assumes that 25% of the outstanding Retail Trust Preferred Securities will be tendered for exchange and that for each \$25 liquidation amount of Retail Trust Preferred Securities tendered, a holder would receive common stock with a value equal to \$20, which is equal to 80% of the \$25 liquidation amount.
- (4) Assumes that Treasury will not agree to exchange any CPP Preferred Shares for common stock.
- (5) Assumes we raise aggregate gross proceeds of \$50 million.
- (6) Assumes the number of shares of common stock outstanding excluding shares to be issued in these transactions would be 24,029,125 (the number of shares of IBC common stock outstanding on October 30, 2009).
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**No. of Shares to be Issued in Transactions Under Consideration****High Range Alternative (75% Participation in Exchange Offers,****100% Participation in CPP Exchange Offer and \$150 Million Cash Offering)***(Based on Assumptions in Footnotes to Table)*

<b>Relevant Price (1)</b>	<b>Institutional TP Exchange Offer (2)</b>	<b>Retail TP Exchange Offer (3)</b>	<b>CPP Preferred Exchange Offer (4)</b>	<b>Cash Offering (5)</b>	<b>% of Total Outstanding (6)</b>
\$1.00	23,700,000	30,360,000	72,000,000	154,289,241	92.11%
\$0.95	24,947,369	31,957,895	75,789,474	162,409,728	92.47%
\$0.90	26,333,334	33,733,334	80,000,000	171,432,490	92.84%
\$0.85	27,882,353	35,717,648	84,705,883	181,516,754	93.21%
\$0.80	29,625,000	37,950,000	90,000,000	192,861,552	93.58%
\$0.75	31,600,000	40,480,000	96,000,000	205,718,988	93.96%
\$0.70	33,857,143	43,371,429	102,857,143	220,413,202	94.34%
\$0.65	36,461,539	46,707,693	110,769,231	237,368,063	94.72%
\$0.60	39,500,000	50,600,000	120,000,000	257,148,735	95.11%

- (1) Relevant Price is the price per share of our common stock used to determine the number of shares that would be issued in exchange for the tendered trust preferred securities and the CPP Preferred Shares. The actual price used in the exchange offers for the trust preferred securities is proposed to be the mathematical average of the volume weighted average price of common shares for the five consecutive trading days ending on and including the second trading day immediately preceding the expiration date of the applicable exchange offer. The actual price used in any exchange of common stock for the CPP Preferred Shares will be as negotiated with Treasury, but is likely to be based on the market value our common stock. The actual price used in any Cash Offering in which we offer to sell shares of our common stock to the public is likely to be at some discount to the market value of our common stock. For purposes of the table above, we have assumed the Cash Offering would be conducted at a price equal to 97.22% of the market value of our common stock. The table contains only an estimated range of potential values for our common shares. The closing price of our common shares on the Nasdaq Global Select Market on December 7, 2009, was \$0.73 per share.
- (2) Assumes that 75% of the outstanding Institutional Trust Preferred Securities will be tendered for exchange and that for each \$1,000 liquidation amount of Institutional Trust Preferred Securities tendered, a holder would receive common stock with a value equal to \$800, which is equal to 80% of the \$1,000 liquidation amount.
- (3) Assumes that 75% of the outstanding Retail Trust Preferred Securities will be tendered for exchange and that for each \$25 liquidation amount of Retail Trust Preferred Securities tendered, a holder would receive common stock with a value equal to \$20, which is equal to 80% of the \$25 liquidation amount.
- (4) Assumes that Treasury will agree to exchange all CPP Preferred Shares (with an aggregate liquidation preference of \$72 million) for common stock with a value equal to the \$72 liquidation value.
- (5) Assumes we raise aggregate gross proceeds of \$150 million.
- (6) Assumes the number of shares of common stock outstanding excluding shares to be issued in these transactions would be 24,029,125 (the number of shares of IBC common stock outstanding on October 30, 2009).

Based on the assumptions described in the footnotes to the tables above, upon completion of the Institutional TP Exchange Offer, the Retail TP Exchange Offer, the CPP Exchange Offer, and the Cash Offering (if all of such

transactions are pursued and completed), our existing shareholders would own between only 4.89% and 25.71% of our outstanding common stock. However, we have reserved the right to issue an even greater number of shares of our common stock (i.e., in the event one or more of the assumptions in the tables set forth above prove not to be true). We have reserved the right to issue up to 63.2 million shares of common stock in the Institutional TP Exchange Offer and up to 144 million shares of common stock in the CPP Exchange Offer. In addition, we expect the maximum number of shares we may issue in the Retail TP Exchange Offer to be 80.96 million. Using these maximum numbers, our current shareholders may end up owning only approximately 4.22% of our outstanding common stock.

In addition, the initiatives under consideration and referenced above or through other means, including the exchange offers for the trust preferred securities and the CPP Preferred Shares, may trigger an ownership change that would negatively affect our ability to utilize net operating loss and capital loss and other deferred tax assets in the future. As a result, we may suffer higher-than-anticipated tax expense, and consequently lower net income and cash flow, in those future years. As of December 31, 2008, we had a domestic federal net operating loss carryforward of approximately \$36.2 million, and such amount may grow significantly prior to the expiration of the capital raising initiatives described in this proxy statement. Companies are subject to a change of ownership test under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), that, if met, would limit the annual utilization of the pre-change of ownership carryforward as well as the ability to use certain unrealized built-in losses. This change of ownership test will be met if, for example, a sufficient number of the holders of the trust preferred securities exchange such securities for our common shares and Treasury exchanges its CPP Preferred Shares for our common shares. We believe it is likely that the test will be met if there is substantial participation in the exchange offers or if other capital raising initiatives under consideration and referenced above or through other means are consummated. Generally, under Section 382, the yearly limitation on our ability to utilize such deductions will be equal to the product of the applicable long-term tax exempt rate (presently \_\_%) and the sum of the values of our common shares and of our outstanding CPP Preferred Shares, immediately before the ownership change. Our ability to utilize deductions related to credit losses during the five-year period following such an ownership change would also be limited under Section 382, together with net operating loss carryforwards, to the extent that such deductions reflect a net loss that was "built-in" to our assets immediately prior to the ownership change. Similar rules under Section 383 of the Code will also limit utilization of our capital loss carryforwards. These carryforwards amounted to approximately \$36.2 million at December 31, 2008, and such amount may grow significantly prior to the expiration of the offers.

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## **The Retail TP Exchange Offer**

Both the Institutional TP Exchange Offer and the CPP Exchange Offer are discussed in further detail below under Proposal 3 below. The following is a brief description of the Retail TP Exchange Offer.

***Purpose of the Retail TP Exchange Offer.*** As described above, we believe that additional capital is necessary to maintain and strengthen our capital base as the effects of the economy continue to impact our business over the coming months and years. One means identified to improve our capital position is to offer to exchange common stock, which is considered both Tier 1 regulatory capital and Tier 1 common capital, to holders of our Retail Trust Preferred Securities, which are considered Tier 1 regulatory capital only up to 25% of total core capital elements. If Retail Trust Preferred Securities are exchanged for shares of our common stock in the exchange offer, it would have the effect of increasing our Tier 1 common equity. In addition, although this exchange offer would not result in any cash proceeds to the Company, it would result in a reduction of interest and dividend expense, thereby allowing us to preserve capital.

***Proposed Terms of the Retail TP Exchange Offer.*** If IBC proceeds with the Retail TP Exchange Offer, IBC currently intends to issue for each \$25 liquidation amount of Retail Trust Preferred Securities accepted for exchange a number of shares of common stock having a dollar value equal to (x) 80% of the \$25 liquidation amount if tendered for exchange on or before the early tender deadline to be established by our Board, and (y) 75% of the \$25 liquidation amount if tendered for exchange after such early tender deadline and on or before the expiration date of the exchange offer. There would be no cash, shares of common stock, or other consideration paid or issued in exchange for accrued but unpaid distributions on the Retail Trust Preferred Securities tendered for exchange. The common stock to be issued would be valued based on the mathematical average of the volume weighted average price per share for the five consecutive trading days ending on and including the second trading day immediately preceding the expiration date of the exchange offer.

***Effect of Retail TP Exchange Offer on Current Shareholders.*** If implemented, and depending on the number of Retail Trust Preferred Securities tendered and accepted for exchange, the Retail TP Exchange Offer may result in a significant increase in the number of shares of common stock outstanding, and current shareholders will own a smaller percentage of the outstanding common stock. See the tables set forth above for more information regarding this potential dilution. Such dilution could result in a significant reduction in the percentage interests of current shareholders in the voting power, liquidation value, and book and market value of the Company, and in its future earnings per share. Moreover, the shares of common stock exchanged for the Retail Trust Preferred Securities will be freely tradable. The sale or resale of these securities could cause the market price of the common stock to decline. In addition to the foregoing, the increased number of issued shares could have an incidental anti-takeover effect by discouraging the possibility of, or rendering more difficult, certain mergers, tender offers, proxy contests or other change of control or ownership.

***Shareholder Approval of the Retail TP Exchange Offer.*** As discussed above, any issuance of common stock in connection with the Retail TP Exchange Offer will not require shareholder approval because the Retail TP Exchange Offer is considered a "public offering" under applicable Nasdaq Marketplace Rules.

***Maximum Number of Shares to be Issued.*** We reserve the right to issue up to 80.96 million shares of our common stock in the Retail TP Exchange Offer.

## **Pro Forma Financial Information**

Selected unaudited pro forma financial information giving effect to the Institutional TP Exchange Offer, the Retail TP Exchange Offer, and the CPP Exchange Offer is set forth in the attached [Appendix A](#). The pro forma financial information included in [Appendix A](#) reflects a "Low Range Alternative" that includes relatively conservative assumptions regarding the number of shares of common stock that may be issued in these transactions and two



different "High Range Alternatives" that include different, more aggressive assumptions regarding a higher number of shares of common stock that would be issued. These alternatives are presented merely as an illustration of some of the potential effects of these transactions. Actual results of each transaction, if pursued and completed by the Company, would likely be different than any of the alternatives. Please read the information in Appendix A carefully to more fully understand the information being presented. The inclusion of any transaction in the pro forma financial information does not necessarily mean that such transaction is likely to occur or that it is likely to occur on the terms set forth in Appendix A.

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**Vote Required and Recommendation of the Board**

The affirmative vote of the holders of a majority of the outstanding shares of common stock of the Company is required for the approval of this proposed amendment. Both abstentions and broker non-votes will have the effect of a negative vote. Unless otherwise directed by a shareholder's proxy, the persons named as proxy voters in the accompanying proxy will vote FOR this amendment. The approval of this proposal is not a condition to the approval of any other proposals submitted to the shareholders.

**The Board recommends you vote "FOR" approval of the amendment to the Articles of Incorporation to increase the number of authorized shares of common stock from 60 million to 500 million.**

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## PROPOSAL 2

### APPROVE A STOCK OPTION EXCHANGE PROGRAM

#### General

We are seeking shareholder approval of a proposed stock option exchange program, as described in detail below (the "Option Exchange Program"). If approved by shareholders, the Option Exchange Program will allow us to offer certain employees a limited period in which they may elect to exchange certain outstanding employee stock options for new stock options ("New Options") covering a lesser number of shares. The New Options will be granted under the Independent Bank Corporation Long-Term Incentive Plan (the "LTIP"), with an exercise price equal to the closing price of our common stock on the Nasdaq Global Select Market ("Nasdaq") on the date the New Options are granted. We are asking shareholders to approve the Option Exchange Program on the following terms:

- The Option Exchange Program will be open to all employees who are employed by IBC or one of its subsidiaries as of the start of the program and who remain employed through the date New Options are granted ("Eligible Optionholders").
- The executive officers named in the Summary Compensation Table of this proxy statement (our "named executives") and our current and former directors will not be eligible to participate in the Option Exchange Program.
- The employee stock options that will be eligible to be exchanged in the Option Exchange Program, referred to in this proxy statement as "Eligible Options," are outstanding stock options held by Eligible Optionholders that (1) do not expire within 12 months from the date the New Options are granted and (2) have an exercise price greater than \$10.
- The Option Exchange Program will not be a one-for-one exchange but instead the exchange ratios will be calculated on a "value-for-value" basis. This means the number of shares subject to New Options granted in exchange for surrendered Eligible Options will be determined in a manner intended to result in the grant of New Options with a fair value that is equal to the fair value of the Eligible Options they replace. These exchange ratios will be determined on a grant-by-grant basis and will be established shortly before the start of the Option Exchange Program. They will be calculated using the Black-Scholes option pricing model, which is a valuation model we use to value compensatory options for accounting purposes.
- None of the New Options will be vested on the date of grant. New Options will be subject to a vesting period equal to the longer of (1) one year after the grant date, and (2) the original vesting period of the Eligible Options surrendered in exchange for the New Options. The term of each New Option will be the remaining term of the Eligible Option for which it is exchanged.
- If an Eligible Optionholder wants to participate in the Option Exchange Program, he or she will be required to exchange all of his or her Eligible Options and will not be permitted to only exchange a portion of such Eligible Options.

We currently expect to commence the Option Exchange Program promptly following the date of the Special Meeting provided that shareholder approval is obtained at the Special Meeting. If the program does not commence within 90 days of shareholder approval, we will not effect the Option Exchange Program unless we again obtain shareholder approval. If shareholders do not approve this proposal, we will not implement the Option Exchange Program.

### **Note Regarding Eligible Employees**

Throughout this proposal, the terms "employed by us," "our employees," "IBC employees," or "employees," shall refer to employees of IBC or any of its subsidiaries.

### **Reasons for the Option Exchange Program**

We are proposing to implement the Option Exchange Program to motivate and retain key employees and to reinforce the alignment of our employees' interests with those of our shareholders. The Option Exchange Program also would reduce outstanding stock option "overhang" and allow us to recapture value from accounting compensation costs while not creating additional compensation expense.

The financial sector crisis and other macro-economic and micro-economic factors have contributed to the price of our common stock declining significantly. Exercise prices for stock options outstanding as of September 30, 2009, ranged from \$1.59 to \$28.56 and the closing market price of our common stock was \$1.90 on that date. Since September 30, 2009, our common stock price has declined further. The closing market price of our common stock on December 7, 2009, was \$0.73 per share. Dramatic declines in the real estate market during the past two years along with other problems faced by many of our commercial and consumer borrowers have resulted in significant write-downs of our asset values. In addition, macro-economic factors, such as the increased volatility in the financial services sector, have contributed to other losses and difficulties. These factors and others have caused many of our employee stock options to be "underwater" or out-of-the-money. As a result, the options no longer serve the employee retention, motivation, and long-term incentive tool for which they were originally issued. We believe it is critical to our success to retain and motivate key employees and to reinforce the alignment of our employees' interests with those of our shareholders. The Option Exchange Program would help to address these concerns.

Further, successful execution of the Option Exchange Program would reduce our "overhang" (equity awards outstanding but not exercised, plus equity awards available to be granted, divided by total common shares outstanding at the end of the year). Underwater stock option awards have little or no retentive value but remain in overhang until they are exercised, expire, or are cancelled. Our overhang on September 30, 2009 was 6.83% (1,558,982 equity awards outstanding plus 82,349 shares available for future grant divided by 24,029,125 total common shares outstanding). Under the Option Exchange Program, we expect that a reduction in overhang would occur because New Options issued in exchange for the underwater options would be more likely to be exercised in the future. In addition, we expect certain of the Eligible Options surrendered in the Option Exchange Program will not be available for future grant. See "Other Aspects of the Option Exchange Program – Return of Eligible Options Surrendered" below for more details. The total overhang reduction is difficult to estimate and will only be known when the actual exchange is complete.

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Lastly, the Option Exchange Program will allow us to recapture expense already allocated to equity awards, to enhance employee motivation and retention rather than incur new, additional costs to achieve the same result. Generally, when stock options are granted to employees, the company bears an expense that reduces our net income. This expense (known as share-based compensation) is calculated at the time a stock option is granted based on the determined value of each stock option when granted. We use a mathematical formula known as the Black-Scholes option pricing model to determine the value of each stock option. We started recognizing share-based compensation as a result of our adoption of FASB Accounting Standards Codification ("ASC") topic 718, "Compensation - Stock Compensation." As of September 30, 2009, there was \$286,000 in unrecognized compensation costs related to outstanding stock options to be expensed in 2009 and beyond; however, at current stock prices, these outstanding stock option awards are of limited benefit in motivating and retaining our employees. Through the Option Exchange Program, we believe we can increase the significance of these stock option awards for our employees and provide a more meaningful incentive. We have designed the Option Exchange Program so that it is not expected to create additional share-based compensation expense; as noted above, this is known as a value-for-value exchange.

### **Description of the Option Exchange Program**

On September 22, 2009, our Board approved the Option Exchange Program, subject to shareholder approval. We are seeking shareholder approval of the Option Exchange Program in order to satisfy the listing rules of Nasdaq, to comply with the terms of our equity compensation plans, and as a matter of good corporate governance. If we do not obtain shareholder approval of this proposal, we will not be able to complete the Option Exchange Program. For more information, see "Vote Required and Recommendation of the Board" below. Even if the Option Exchange Program is approved by our shareholders, we retain the discretion to amend, postpone or not proceed with the Option Exchange Program (subject to the terms described in this proxy statement and applicable law), or under certain circumstances cancel the Option Exchange Program once it has commenced. The description below provides additional information on how we expect to conduct the Option Exchange Program.

If the Option Exchange Program is approved by our shareholders, Eligible Optionholders will be able to elect to exchange outstanding Eligible Options for New Options covering a lesser number of shares. The New Options will be granted under our LTIP with an exercise price equal to the closing price of our common shares on Nasdaq on the grant date. We will conduct the Option Exchange Program through a tender offer. At the commencement of the Option Exchange Program, Eligible Optionholders will receive a written offer to exchange that will set forth the precise terms and timing of the Option Exchange Program. From the time the Option Exchange Program commences, the Eligible Optionholders will be given at least 20 business days to elect to surrender for cancellation all or none of their Eligible Options in exchange for New Options. The New Options will be issued promptly following the conclusion of the Option Exchange Program. At or prior to the time we commence the Option Exchange Program, we will file the related tender offer documents with the SEC as part of a tender offer statement on Schedule TO. Eligible Optionholders, as well as shareholders and members of the public, will be able to obtain the offer to exchange and other documents we file with the SEC free of charge from the SEC's website at [www.sec.gov](http://www.sec.gov). **If you are both a shareholder and an employee holding potentially Eligible Options, please note that voting to approve the Option Exchange Program does not constitute an election to participate in the Option Exchange Program.**

#### *Who Is Eligible to Participate in the Option Exchange Program?*

With the exception of the excluded individuals described below, all current employees who are employed by us or one of our subsidiaries on the date we commence the Option Exchange Program and who continue to be employed through the grant date for the New Options, which will occur promptly following the date on which the Option Exchange Program concludes, will be eligible to participate in the program.

#### *Who Is Not Eligible to Participate in the Option Exchange Program?*

Current and former members of our Board and our named executives are not eligible to participate in the Option Exchange Program.

*Which Options Are Eligible to Be Exchanged in the Option Exchange Program?*

Outstanding stock options that (1) do not expire within 12 months of the grant date of the New Options and (2) have an exercise price greater than \$10 will be eligible to be surrendered in the Option Exchange Program. Eligible Options include vested and unvested options, and incentive stock options as well as non-qualified stock options. As a result, as of September 30:

- Eligible Options to purchase an aggregate of 550,188 common shares had been granted to approximately 36 employees who are Eligible Optionholders;
  - Eligible Options had exercise prices ranging from \$13.37 to \$28.56 per share;
  - Eligible Options had a weighted average exercise price of \$21.13 per share and a weighted average remaining term of 4.93 years;
  - Eligible Options constituted approximately 35% of the 1,558,982 common shares subject to outstanding stock options; and
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- Eligible Options constituted approximately 2% of our total outstanding common shares. All Eligible Options that are not exchanged will remain outstanding and in effect in accordance with their existing terms. Approval of the Option Exchange Program proposal will not result in an amendment to the terms of our equity compensation plans.

For reference purposes, the following table summarizes information regarding our outstanding equity awards and common shares available for future grants as of September 30, 2009:

Shares available for future grant under existing plans (1)	82,349
Shares issuable pursuant to all outstanding stock options	1,558,982
Weighted average exercise price of all outstanding stock options	\$15.57
Weighted average remaining term of all outstanding stock options	5.29 years

(1) Our existing plan under which awards may be granted is the LTIP. A copy of the LTIP is attached as Appendix B to this proxy statement.

We will grant all of the New Options under the LTIP. We expect that the number of shares that again become available for new grants under the LTIP as a result of Eligible Options being surrendered in the Option Exchange Program will exceed the number of shares that will be subject to New Options granted under the LTIP, but we will use additional shares available under the LTIP to the extent necessary.

*How Many New Options Will Be Issued?*

The Option Exchange Program is not a one-for-one exchange. Eligible Optionholders surrendering Eligible Options will receive New Options covering a lesser number of shares with an exercise price equal to the closing price of our common shares on Nasdaq on the grant date. The number of shares underlying a surrendered Eligible Option necessary to receive one share underlying a New Option is referred to as the "exchange ratio." The exchange ratios will be determined in a manner intended to result in the grant of New Options that have a fair value that is equal to the fair value of the Eligible Options surrendered in the exchange based on valuation assumptions made shortly before the start of the Option Exchange Program. For more information on the calculation of the exchange ratios, see "Further Information Regarding the Exchange Ratios" below. Because the exchange ratios have not yet been established and because we do not know how many Eligible Options will be surrendered in the Option Exchange Program, we cannot determine how many shares will be subject to the New Options in the aggregate; however, based on the data available (including our stock price) as of December 7, 2009, and assuming all Eligible Options (covering approximately 550,188 shares) are surrendered in the Option Exchange Program, an aggregate of approximately 120,049 shares will be subject to the New Options. Although this is only an estimate, because of the way the Option Exchange Program is structured, we fully expect the number of shares subject to New Options to be less than the number of shares subject to outstanding Eligible Options.

*What Will be the Exercise Price of the New Options?*

The Option Exchange Program will extend for at least 20 business days after it is commenced. The New Options will be granted promptly following the conclusion of the Option Exchange Program. All New Options will have an exercise price equal to the closing price of our common stock on Nasdaq on the grant date for the New Options, which

will be the closing price reported on a consolidated basis on Nasdaq on the grant date. The closing price of our common shares on Nasdaq on December 7, 2009 was \$0.73 per share.

*What Vesting Will Apply to the New Options?*

None of the New Options will be vested on the date of grant. Each New Option will be subject to a vesting schedule equal to the longer of (1) one year after the date the New Option is granted and (2) the vesting schedule of the Eligible Option being surrendered. If an Eligible Option is fully vested on the grant date of the New Option, then the New Option granted in exchange for such Eligible Option will vest and become exercisable on the one-year anniversary of the grant date of the New Option, assuming continued employment with IBC or one of its subsidiaries through the vesting date. If an Eligible Option includes both vested and unvested tranches on the grant date of the New Option, then the New Option granted in exchange for such Eligible Option will vest in corresponding tranches (with each tranche of such New Option representing the same percentage of shares covered by the corresponding tranche of the Eligible Option) as shown in the table below:

<b>If the tranche of the Eligible Option is:</b>	<b>Then the corresponding tranche of the New Option will:</b>
Vested or scheduled to vest within 12 months of the grant date of the New Option	Vest and become exercisable on the one-year anniversary of the grant date of the New Option, assuming continued employment with IBC or one of its subsidiaries through the vesting date.
Scheduled to vest more than 12 months following the grant date of the New Option	Vest and become exercisable according to the same vesting schedule of the corresponding tranche of the Eligible Option, assuming continued employment with IBC or one of its subsidiaries through the vesting date.

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*When Will the New Options Expire?*

Each New Option will have a term that will be the remaining term of the Eligible Option it replaces. Options may be forfeited prior to their expiration due to an optionee's termination of employment.

*What Other Terms Will Apply to the New Options?*

The other terms and conditions of the New Options will be set forth in an option agreement to be entered into as of the New Option grant date and otherwise governed by the terms and conditions of the LTIP, a copy of which is attached as Appendix B. These additional terms and conditions will be generally comparable to the other terms and conditions of options granted under the LTIP. New Options will be characterized for U.S. federal income tax purposes as non-qualified stock options. The common shares for which the New Options may be exercised are currently registered on a registration statement filed with the SEC.

*Will Eligible Employees Be Required to Participate in the Option Exchange Program?*

No. Participation in the Option Exchange Program will be voluntary. Eligible Optionholders will be permitted to exchange all or none of their Eligible Options for New Options, meaning that if an Eligible Optionholder wants to participate, he or she must surrender every Eligible Option he or she holds.

*When Will the Option Exchange Program Commence?*

We currently expect to commence the Option Exchange Program promptly following the date of the Special Meeting if shareholder approval is obtained at the Special Meeting. If the program does not commence within 90 days of shareholder approval, we will not effect the Option Exchange Program unless we again obtain shareholder approval. If shareholders do not approve this proposal, we will not be able to complete the Option Exchange Program.

*What Interest Do the Directors and Executive Officers of the Company Have in the Option Exchange Program?*

As described above, current and former members of our Board and our named executives are not eligible to participate in the Option Exchange Program. Executive officers who are not named in the Summary Compensation Table on page 30 of this proxy statement are eligible to participate in the Option Exchange Program. For more information on the interests of our directors and executive officers in the program, see "Interests of Directors and Executive Officers" and "New Plan Benefits" below.

**Further Information Regarding the Exchange Ratios**

The Option Exchange Program is not a one-for-one exchange. Eligible Optionholders surrendering outstanding Eligible Options will receive New Options under the LTIP covering a lesser number of shares with an exercise price equal to the closing price of our common shares on Nasdaq on the grant date of the New Options. The number of shares underlying a surrendered Eligible Option necessary to receive one share underlying the New Option is referred to as the "exchange ratio." The exchange ratios will be determined in a manner intended to result in the grant of New Options that have a fair value that is equal to the fair value of the Eligible Options surrendered in the exchange, based on valuation assumptions made shortly before the start of the Option Exchange Program. These ratios will be designed to avoid incremental accounting expense in connection with the grant of New Options. The actual exchange ratios will be determined shortly before the start of the Option Exchange Program. We will establish exchange ratios for eligible options by grant. If application of an exchange ratio results in a fractional number of shares being subject to the New Option, we will round down to the nearest whole number of shares of common stock.

The exchange ratios will be based on the fair value of the Eligible Options and the fair value of the New Options, based on valuation assumptions made shortly before the start of the Option Exchange Program. Setting the exchange

ratios in this manner is intended to result in the issuance of New Options that have a fair value that is equal to the fair value of the surrendered Eligible Options they replace. As a very simple example, if an Eligible Option is exercisable for 250 shares and has a fair value of 4 and a New Option has a fair value of 10, the ratio of Eligible Options to New Options would be 2.5 to 1 (that is, 10 divided by 4), so the Eligible Option could be exchanged for a New Option covering 100 shares (250 shares divided by 2.5).

These exchange ratios will be based on the fair value of the Eligible Options calculated using the Black-Scholes option pricing model. The calculation of fair value using the Black-Scholes option pricing model takes into account many variables, such as the volatility of our stock and the expected term of a stock option. Setting the exchange ratios in this manner is intended to result in the issuance of New Options that have a fair value approximately equal to the fair value of the surrendered Eligible Options they replace. This is designed to eliminate additional compensation expense for such New Options, other than compensation expense that might result from changes in our stock price or other variables after the exchange ratios have been established but before the time that New Options are granted in the Option Exchange Program.

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Although exchange ratios cannot be determined now, set forth below is an example using certain assumptions and using the applicable inputs available as of December 7, 2009 for the Black-Scholes option pricing model. In the table below, the "Exchange Ratio" represents the number of Eligible Options that an employee would be required to surrender in exchange for one New Option. For example, if an employee surrendered 1,000 stock options granted in 2005 that have an exercise price of \$25.02 per share, that employee (for purposes of this example only) would receive approximately \_\_\_\_\_ New Options, using the exchange ratio of \_\_\_\_\_, as shown below. We have set forth below an estimate of what the exchange ratios would be if they were set as of December 7, 2009, when the closing price of our common stock on Nasdaq was \$0.73 per share.

Examples of Stock Option Exchange Ratios						
Grant Year	Exercise Price of Eligible Grants	Exchange Ratio <sup>(1)</sup>	Maximum Number of Shares Underlying Eligible Options	Weighted Average Exercise Price	Weighted Average Exercise Price (in years)	Exercise Price of New Options <sup>(2)</sup>
2002	\$15.44	3.955	65,352	\$15.44	2.55	\$0.73
2003	\$17.43	4.207	55,208	\$17.43	3.55	\$0.73
2004	\$23.69	5.363	63,394	\$23.69	4.56	\$0.73
2005	\$25.02	5.178	71,663	\$25.02	5.57	\$0.73
2006	\$26.97	5.652	70,875	\$26.97	6.13	\$0.73
2007	\$16.69	3.599	107,744	\$16.69	7.56	\$0.73

(1) The example exchange ratios set forth in the table are for illustrative purposes only and are calculated using data (including the closing price of our common stock on Nasdaq) available as of December 7, 2009. The actual exchange ratios will be determined using this same methodology shortly before the start of the Option Exchange Program, with a separate exchange ratio for each Eligible Option.

(2) The exercise price of each New Option will be equal to the closing price of our common stock on Nasdaq on the grant date of the New Option. We expect to grant each New Option promptly following the conclusion of the Option Exchange Program, which we currently expect will be late February 2010. For illustrative purposes only, we have assumed a grant date of December 7, 2009 in the table above. The closing price of our common stock on that date was \$0.73.

### Other Aspects of the Option Exchange Program

Return of Eligible Options Surrendered. Consistent with the terms of the LTIP, shares subject to Eligible Options granted under the LTIP that are surrendered in the Option Exchange Program will be cancelled and will return to the pool of shares available for grant under the LTIP. Shares subject to Eligible Options granted under any plan other than the LTIP will be cancelled and will not return to the pool of shares available for grant under any of our equity incentive plans. There are a maximum of 550,188 shares subject to Eligible Options that may be cancelled in the Option Exchange Program. An aggregate of 27,407 of these shares were granted under plans other than the LTIP and thus once cancelled in the program would not be available for subsequent grants. The remaining 522,781 shares that are subject to Eligible Options that could be cancelled in the program were granted under the LTIP. The net number of shares available for future grants under the LTIP would increase by the number of these remaining shares surrendered for exchange, less the number of shares subject to New Options granted in exchange for such surrender.

Accounting Treatment. IBC has adopted the provisions of ASC topic 718, "Compensation - Stock Compensation," which requires employee equity awards to be accounted for under the fair value method. This Option Exchange Program is intended to be "cost neutral" from an accounting standpoint. Thus, we will establish exchange ratios with

the intent not to generate incremental share-based compensation expense for IBC. To be cost neutral, the value of the stock options surrendered as calculated immediately prior to their surrender must be at least equal to the value of the new stock options received by employees in the Option Exchange Program. We use the Black-Scholes option pricing model to estimate the fair value of all stock options granted to employees and will use that same model in valuing the stock options that are part of the Option Exchange Program. Option Exchange Program ratios will be established just prior to commencement of the exchange offer. Therefore, some risk of incremental compensation does exist if there are fluctuations in our common stock price or other key inputs to the Black-Scholes option pricing model between the date the Option Exchange Program ratios are established and the effective date of the Option Exchange Program.

*U.S. Federal Income Tax Consequences.* We believe the exchange of Eligible Options for New Options pursuant to the program should be treated as a non-taxable exchange and neither we nor any of our employees should recognize any income for U.S. federal income tax purposes upon the surrender of Eligible Options and the grant of New Options. A more detailed summary of the applicable tax considerations to participants will be provided in the offer to exchange. All holders of Eligible Options are and will be urged to consult their own tax advisors regarding the tax implications of participating in the Option Exchange Program under all applicable laws prior to participating in the Option Exchange Program.

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