

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 000-25927

MACATAWA BANK CORPORATION
(Exact name of issuer as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

38-3391345
(I.R.S. Employer
Identification No.)

10753 Macatawa Drive, Holland, Michigan 49424
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (616) 820-1444

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 17,166,515 shares of the Company's Common Stock (no par value) were outstanding as of May 8, 2009.

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Part I Financial Information
Item 1.

MACATAWA BANK CORPORATION
CONSOLIDATED BALANCE SHEETS
As of March 31, 2009 (unaudited) and December 31, 2008

(dollars in thousands)	<u>March 31, 2009</u>	<u>December 31, 2008</u>
ASSETS		
Cash and due from banks	\$ 22,238	\$ 29,188
Federal funds sold and other short term investments	73,367	39,096
	<hr/>	<hr/>
Cash and cash equivalents	95,605	68,284
Securities available for sale	174,623	184,681
Securities held to maturity	1,757	1,835
Federal Home Loan Bank stock	12,275	12,275
Loans held for sale, at fair value at March 31, 2009	2,003	2,261
Total loans	1,699,945	1,774,063
Allowance for loan losses	(39,096)	(38,262)
	<hr/>	<hr/>
Net loans	1,660,849	1,735,801
Premises and equipment - net	62,980	63,482
Accrued interest receivable	7,686	7,746
Bank-owned life insurance	23,628	23,645
Other real estate owned	18,510	19,516
Other assets	32,876	29,846
	<hr/>	<hr/>
Total assets	\$ 2,092,792	\$ 2,149,372
	<hr/>	<hr/>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	\$ 190,757	\$ 192,842
Interest-bearing	1,433,946	1,472,919
	<hr/>	<hr/>
Total deposits	1,624,703	1,665,761
Other borrowed funds	268,690	284,790
Long-term debt	41,238	41,238
Accrued expenses and other liabilities	13,517	8,370
	<hr/>	<hr/>
Total liabilities	1,948,148	2,000,159
Commitments and contingent liabilities	---	---
Shareholders' equity		
Preferred stock, no par value, 500,000 shares authorized; 31,290 shares of Series A Noncumulative Convertible Perpetual Preferred Stock, liquidation value of \$1,000 per share, issued and outstanding at March 31, 2009 and December 31, 2008	30,628	30,637
Common stock, no par value, 40,000,000 shares authorized; 17,166,515 and 17,161,515 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	164,484	164,327
Retained deficit	(53,370)	(48,289)
Accumulated other comprehensive income	2,902	2,538
	<hr/>	<hr/>
Total shareholders' equity	144,644	149,213
	<hr/>	<hr/>
Total liabilities and shareholders' equity	\$ 2,092,792	\$ 2,149,372
	<hr/>	<hr/>

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Three Month Periods Ended March 31, 2009 and 2008 (unaudited)

(dollars in thousands, except per share data)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Interest income		
Loans, including fees	\$ 23,146	\$ 28,965
Securities	1,811	2,185
FHLB Stock	123	153
Other	44	14
	<u>25,124</u>	<u>31,317</u>
Total interest income	25,124	31,317
Interest expense		
Deposits	8,980	11,834
Other	3,348	4,786
	<u>12,328</u>	<u>16,620</u>
Total interest expense	12,328	16,620
Net interest income	12,796	14,697
Provision for loan losses	10,530	2,700
	<u>10,530</u>	<u>2,700</u>
Net interest income after provision for loan losses	2,266	11,997
Noninterest income		
Service charges and fees	1,229	1,241
Net gains on mortgage loans	1,622	476
Trust fees	933	1,170
Gain on settlement of interest rate swaps	---	832
Other	1,539	1,284
	<u>5,323</u>	<u>5,003</u>
Total noninterest income	5,323	5,003
Noninterest expense		
Salaries and benefits	6,143	6,901
Occupancy of premises	1,156	1,225
Furniture and equipment	1,017	993
Legal and professional	384	303
Marketing and promotion	223	357
Data processing	497	505
FDIC assessment	771	361
Administration and disposition of problem assets	2,159	377
Other	2,131	2,569
	<u>14,481</u>	<u>13,591</u>
Total noninterest expenses	14,481	13,591
Income (loss) before income tax	(6,892)	3,409
Income tax expense (benefit)	(2,750)	971
	<u>(2,750)</u>	<u>971</u>
Net income (loss)	(4,142)	2,438
Dividends declared on preferred shares	939	---
	<u>939</u>	<u>---</u>
Net income (loss) available to common shares	\$ (5,081)	\$ 2,438
	<u>\$ (5,081)</u>	<u>\$ 2,438</u>
Basic earnings (loss) per common share	\$ (.30)	\$.14
Diluted earnings(loss) per common share	(.30)	.14
Cash dividends per common share	---	.13

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Three Month Periods Ended March 31, 2009 and 2008
(unaudited)

(dollars in thousands)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	<u> </u>	<u> </u>
Net income (loss)	\$ (4,142)	\$ 2,438
Other comprehensive income (loss), net of tax:		
Net change in unrealized gains (losses) on securities available for sale	364	1,869
	<u> </u>	<u> </u>
Comprehensive income (loss)	\$ (3,778)	\$ 4,307
	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Three Month Periods Ended March 31, 2009 and 2008
(unaudited)

(dollars in thousands, except per share data)

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Retained Earnings (Deficit)</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareholders' Equity</u>
Balance, January 1, 2008	---	\$ 163,522	\$ (4,208)	\$ 1,311	\$ 160,625
Net income for three months ended March 31, 2008			2,438		2,438
Other comprehensive income (loss), net of tax:					
Net change in unrealized gain (loss) on securities available for sale				1,869	1,869
Comprehensive income					4,307
Issued 22,460 shares for stock option exercises (including \$32 of tax benefit)		123			123
Stock compensation expense		134			134
Cash dividends declared on common shares (\$.13 per share)			(2,203)		(2,203)
Balance, March 31, 2008	---	\$ 163,779	\$ (3,973)	\$ 3,180	\$ 162,986
Balance, January 1, 2009	\$ 30,637	\$ 164,327	\$ (48,289)	\$ 2,538	\$ 149,213
Net loss for three months ended March 31, 2009			(4,142)		(4,142)
Other comprehensive income (loss), net of tax:					
Net change in unrealized gain (loss) on securities available for sale				364	364
Comprehensive loss					(3,778)
Preferred stock issuance costs	(9)				(9)
Stock compensation expense		157			157
Cash dividends declared on preferred shares			(939)		(939)
Balance, March 31, 2009	\$ 30,628	\$ 164,484	\$ (53,370)	\$ 2,902	\$ 144,644

See accompanying notes to consolidated financial statements

MACATAWA BANK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three Month Periods Ended March 31, 2009 and 2008 (unaudited)

(dollars in thousands)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash flows from operating activities		
Net income (loss)	\$ (4,142)	\$ 2,438
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	931	966
Stock compensation expense	157	134
Provision for loan losses	10,530	2,700
Origination of loans for sale	(74,525)	(33,451)
Proceeds from sales of loans originated for sale	75,932	34,713
Net gains on mortgage loans	(1,622)	(476)
Write-down of other real estate	994	---
Net loss on sales of other real estate	6	17
Net change in:		
Accrued interest receivable and other assets	(2,717)	(5,429)
Bank-owned life insurance	17	(213)
Accrued expenses and other liabilities	4,159	8,376
	9,720	9,775
Cash flows from investing activities		
Loan originations and payments, net	61,285	(20,631)
Purchases of securities available for sale	(5,915)	(10,512)
Proceeds from:		
Maturities and calls of securities available for sale	16,500	18,093
Principal paydowns on securities	78	5
Sales of other real estate	3,143	157
Additions to premises and equipment	(323)	(430)
	74,768	(13,318)
Cash flows from financing activities		
Net increase (decrease) in deposits	(41,058)	46,875
Net decrease in short term borrowings	---	(29,095)
Proceeds from other borrowed funds	20,000	123,000
Repayments of other borrowed funds	(36,100)	(143,276)
Cash dividends paid on common shares	---	(2,203)
Preferred stock issuance costs	(9)	---
Proceeds from exercises of stock options, including tax benefit	---	123
	(57,167)	(4,576)
Net change in cash and cash equivalents	27,321	(8,119)
Cash and cash equivalents at beginning of period	68,284	49,816
Cash and cash equivalents at end of period	\$ 95,605	\$ 41,697
Supplemental cash flow information		
Interest paid	\$ 14,641	\$ 16,478
Income taxes paid	---	250
Supplemental noncash disclosures:		
Transfers from loans to other real estate	3,137	2,718
Preferred stock dividends accrued, paid in subsequent quarter	939	---

See accompanying notes to consolidated financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Macatawa Bank, and its wholly-owned subsidiary, Macatawa Bank Mortgage Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company also owns all of the common stock of Macatawa Statutory Trust I and Macatawa Statutory Trust II. These are grantor trusts that issued trust preferred securities and are not consolidated with the Company per FASB Interpretation No. 46.

Basis of Presentation: The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's 2008 Form 10-K containing financial statements for the year ended December 31, 2008.

New Accounting Pronouncements: In December 2007, the FASB issued FAS No. 141 (revised 2007), Business Combinations ("FAS 141(R)"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. FAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this standard did not have any impact on the Corporation's results of operations or financial position.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51*" ("SFAS No. 160"), which changed the accounting and reporting for minority interests, recharacterizing them as noncontrolling interests and classifying them as a component of equity within the consolidated balance sheets. FAS No. 160 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. The adoption of FAS No. 160 did not have a significant impact on the Corporation's results of operations or financial position.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of SFAS No. 133". FAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 for derivative instruments and hedging activities. FAS No. 161 requires qualitative disclosure about objectives and strategies for using derivative and hedging instruments, quantitative disclosures about fair value amounts of the instruments and gains and losses on such instruments, as well as disclosures about credit-risk features in derivative agreements. FAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The adoption of this standard did not have a material effect on the Corporation's results of operations or financial position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2008, the FASB issued FSP EITF 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities”. This FSP addresses whether these types of instruments are participating prior to vesting and, therefore need to be included in the earning allocation in computing earnings per share under the two class method described in FASB Statement No. 128, “Earnings Per Share”. This FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior-period earnings per share data presented shall be adjusted retrospectively. The adoption of this FSP on January 1, 2009 had the effect of treating the Company’s unvested restricted stock awards as participating in the earnings allocation when computing earnings per share. Prior period earnings per share data have been adjusted to treat unvested restricted stock awards as participating. The adoption of this FSP did not change the Company’s earnings per share for any period presented.

Recently Issued and Not Yet Effective Accounting Standards: In April 2009, the FASB issued Staff Position (FSP) No. 115-2 and No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*, which amends existing guidance for determining whether impairment is other-than-temporary for debt securities. The FSP requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. Additionally, the FSP expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Corporation plans to adopt this FSP in the second quarter, however, does not expect the adoption to have a material effect on the results of operations or financial position.

In April 2009, the FASB issued Staff Position (FSP) No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset and Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. The FSP provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The FSP also requires increased disclosures. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. The Corporation plans to adopt this FSP in the second quarter, however, does not expect the adoption to have a material effect on the results of operations or financial position.

In April 2009, the FASB issued Staff Position (FSP) No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies that were previously only required in annual financial statements. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Corporation plans to adopt this FSP in the second quarter.

MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 2 – LOANS

Loans were as follows (in thousands):

	March 31, 2009	December 31, 2008
	<u> </u>	<u> </u>
Commercial and industrial	\$ 415,635	\$ 451,826
Commercial real estate	916,567	927,633
	<u> </u>	<u> </u>
Total commercial	1,332,202	1,379,459
Residential mortgage	182,636	203,954
Consumer	185,107	190,650
	<u> </u>	<u> </u>
Allowance for loan losses	1,699,945	1,774,063
	(39,096)	(38,262)
	<u> </u>	<u> </u>
	<u>\$ 1,660,849</u>	<u>\$ 1,735,801</u>

Activity in the allowance for loan losses was as follows (in thousands):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	<u> </u>	<u> </u>
Balance at beginning of period	\$ 38,262	\$ 33,422
Provision for loan losses	10,530	2,700
Charge-offs	(10,305)	(4,206)
Recoveries	609	38
	<u> </u>	<u> </u>
Balance at end of period	<u>\$ 39,096</u>	<u>\$ 31,954</u>

Impaired loans were as follows at period end (dollars in thousands):

	March 31, 2009	December 31, 2008
	<u> </u>	<u> </u>
Loans with no allocated allowance for loan losses	\$ 67,516	\$ 49,922
Loans with allocated allowance for loan losses	98,229	102,015
	<u> </u>	<u> </u>
	165,745	151,937
	<u> </u>	<u> </u>
Amount of the allowance for loan losses allocated	<u>\$ 21,813</u>	<u>\$ 20,008</u>

	Three months ended March 31, 2009	Three months ended March 31, 2008
	<u> </u>	<u> </u>
Average of impaired loans during the period	\$ 158,841	\$ 107,563
Interest income recognized during impairment	1,070	685
Cash received for interest during impairment	935	634

Nonperforming loans were as follows at period-end (dollars in thousands):

	March 31, 2009	March 31, 2008
	<u> </u>	<u> </u>
Loans past due over 90 days still on accrual	\$ 1,545	\$ 3,200
Nonaccrual loans	110,120	89,049
Renegotiated loans	1,942	21
	<u> </u>	<u> </u>
	<u>\$ 113,607</u>	<u>\$ 92,270</u>

NOTE 3 – OTHER REAL ESTATE OWNED

Period-end other real estate owned was as follows (dollars in thousands):

	March 31, 2009	December 31, 2008
Other real estate owned, initial balanced transferred in	\$ 20,819	\$ 21,135
Less: valuation allowance	(2,309)	(1,619)
	\$ 18,510	\$ 19,516

Activity in the valuation allowance was as follows (dollars in thousands):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Beginning balance	\$ 1,619	\$ 147
Additions charged to expense	994	---
Deletions upon disposition	(304)	(24)
Ending balance	\$ 2,309	\$ 123

Net realized losses on sales of other real estate were \$6,000 and \$17,000 for the three month periods ended March 31, 2009 and 2008, respectively.

NOTE 4 – FAIR VALUE

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The fair value of loans held for sale is based upon binding quotes from 3^d party investors (Level 2 inputs)

MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 4 – FAIR VALUE (Continued)

The fair value of collateral dependent impaired loans with specific allocations of the allowance for loan losses and other real estate owned with a valuation allowance are generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available (Level 3 inputs).

Assets and liabilities measured at fair value on a recurring basis are summarized below (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
<u>March 31, 2009</u>				
Available for sale securities	\$ 174,623	\$ ---	\$ 174,623	\$ ---
Loans held for sale	2,003	---	2,003	---
<u>December 31, 2008</u>				
Available for sale securities	\$ 184,681	\$ ---	\$ 184,681	\$ ---
Loans held for sale	2,261	---	2,261	---

Assets and Liabilities Measured on a Non-Recurring Basis

Assets and liabilities measured at fair value on a non-recurring basis are summarized below (in thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
<u>March 31, 2009</u>				
Impaired loans	\$ 49,478	\$ ---	\$ ---	\$ 49,478
Other real estate owned	18,369	---	---	18,369
<u>December 31, 2008</u>				
Impaired loans	\$ 39,272	\$ ---	\$ ---	\$ 39,272

The following represent impairment charges recognized during the period:

Impaired loans, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of \$58.1 million and \$42.9 million with a valuation allowance of \$8.6 million and \$3.6 million at March 31, 2009 and December 31, 2008, respectively. An additional provision for loan losses of approximately \$5.7 million and \$301,000 was recorded on these loans for the three month periods ended March 31, 2009 and 2008, respectively.

Other real estate owned measured using the fair value of collateral, had a carrying amount of \$20.7 million with a valuation allowance of \$2.3 million at March 31, 2009. Additional writedowns of approximately \$994,000 were recorded on these properties for the three month period ended March 31, 2009.

MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 5 – DEPOSITS

Deposits are summarized as follows (in thousands):

	March 31, 2009	December 31, 2008
Noninterest-bearing demand	\$ 190,757	\$ 192,842
Interest bearing demand	229,140	230,091
Savings and money market accounts	409,575	411,369
Certificates of deposit	795,231	831,459
	\$ 1,624,703	\$ 1,665,761

Approximately \$532,285,000 and \$574,861,000 in certificates of deposit were in denominations of \$100,000 or more at March 31, 2009 and December 31, 2008.

Brokered deposits totaled approximately \$327,762,000 and \$337,768,000 at March 31, 2009 and December 31, 2008. At March 31, 2009 and December 31, 2008, brokered deposits had interest rates ranging from 3.25% to 4.55% and 3.25% to 4.90%, respectively. At March 31, 2009, maturities ranged from April 2009 to December 2011.

NOTE 6 – EARNINGS PER COMMON SHARE

A reconciliation of the numerators and denominators of basic and diluted earnings (loss) per common share for the three month periods ended March 31, 2009 and 2008 are as follows (dollars in thousands, except per share data):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Net income (loss)	\$ (4,142)	\$ 2,438
Dividends declared on preferred shares	939	---
Net income (loss) available to common shares	\$ (5,081)	\$ 2,438
Weighted average shares outstanding, including participating stock awards - Basic	17,162,237	16,997,150
Dilutive potential common shares:		
Stock options	---	48,855
Conversion of preferred stock	---	---
Weighted average shares outstanding - Diluted	17,162,237	17,046,005
Basic earnings (loss) per common share	\$ (.30)	\$ 0.14
Diluted earnings (loss) per common share (1)	(.30)	0.14

(1) For any period in which a loss is recorded, the assumed exercise of stock options would have an anti-dilutive impact on loss per share and thus are ignored in the diluted per common share calculation.

Stock options for 961,367 and 782,224 shares of common stock for the three months ended March 31, 2009 and March 31, 2008, respectively were not considered in computing diluted earnings per common share because they were antidilutive. Potential common shares associated with the convertible preferred stock issued in the fourth quarter of 2008 were excluded from dilutive potential common shares as they were antidilutive.

MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

NOTE 7 – FEDERAL INCOME TAXES

The consolidated provision (benefit) for income taxes was as follows (dollars in thousands):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Current	(2,017)	\$ 1,781
Deferred (benefit) expense	(733)	(810)
	\$ (2,750)	\$ 971

At March 31, 2009, the Company could not reliably estimate the actual effective annual tax rate due to the potential variability of the Company's pre-tax income in subsequent quarters for 2009. Accordingly, as allowed by FASB Interpretation No. 18, "Accounting for Income Taxes in Interim Periods," the Company recorded income tax expense for the three months ended March 31, 2009 at the actual effective tax rate for this period rather than at an estimate of the annual effective tax rate. The difference between the financial statement tax expense (benefit) and the amount computed by applying the statutory federal tax rate to pretax income (loss) was reconciled as follows (dollars in thousands):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Statutory rate	35%	35%
Statutory rate applied to income (loss) before taxes	\$ (2,412)	\$ 1,193
Add (deduct)		
Tax-exempt interest income	(169)	(162)
Bank-owned life insurance	(172)	(75)
Other, net	3	15
	\$ (2,750)	\$ 971

The net deferred tax asset recorded included the following amounts of deferred tax assets and liabilities (dollars in thousands):

	March 31, 2009	December 31, 2008
Deferred tax asset		
Allowance for loan losses	\$ 13,684	\$ 13,392
Nonaccrual loan interest	493	368
Valuation allowance on other real estate owned	808	567
Other	943	910
	15,928	15,237
Deferred tax liabilities		
Depreciation	(2,205)	(2,227)
Purchase accounting adjustments	(280)	(306)
Unrealized gain on securities available for sale	(1,563)	(1,367)
Prepaid expenses	(490)	(490)
Other	(365)	(359)
	(4,903)	(4,749)
Net deferred tax asset	\$ 11,025	\$ 10,488

A valuation allowance related to deferred tax assets is required when it is considered more likely than not that all or part of the benefit related to such assets will not be realized. Based on the levels of taxable income in prior years and the Company's expectation of a return to profitability in future years, management has determined that no valuation allowance was required at March 31, 2009 and December 31, 2008.

There were no unrecognized tax benefits at March 31, 2009, and the Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease in the next twelve months.

The Company is no longer subject to examination by the Internal Revenue Service for years before 2005.

NOTE 8 – CONTINGENCIES

The Company and its subsidiaries periodically become defendants in certain claims and legal actions arising in the ordinary course of business.

On July 8, 2003, the Company filed a Form 8-K (dated July 1, 2003) with the Securities and Exchange Commission reporting events related to a former trust customer, Trade Partners, Inc. (“Trade Partners”), of the former Grand Bank, which the Company acquired effective April 1, 2002. Trade Partners was involved in purchasing and selling interests in viaticals, which are interests in life insurance policies of the terminally ill or elderly. Beginning in 1996, Grand Bank served as a custodian and escrow agent with respect to viaticals purchased by Trade Partners and sold to investors. Two lawsuits were filed, one in December 2002 and another in March 2003, against Trade Partners, Grand Bank and the Company alleging that Grand Bank breached certain escrow agreements related to viatical settlement contracts. Both of these lawsuits have been dismissed although the plaintiffs reserved the right to pursue the claims in the future. A third lawsuit was filed in April 2003 by two individual investors against Grand Bank, the Company, Trade Partners and certain individuals and entities associated with Trade Partners. The claims against Grand Bank and the Company in this lawsuit have been settled and dismissed with prejudice. In May 2003 a purported class action complaint was filed against the Company. As amended, this suit alleges that Grand Bank breached escrow agreements and fiduciary duties and violated the Michigan Uniform Securities Act with respect to the investments secured by the purported class in viaticals and in interests in limited partnerships which made loans to Trade Partners secured by viaticals, and with respect to loans made by purported class members directly to Trade Partners. The Company has answered the complaint denying the material allegations and raising certain affirmative defenses. In November 2006 the court denied class certification in this case. The Company believes that the class action, if it had been approved by the court, might have involved as many as 2,000 to 3,000 individual claimants. Since that denial of class certification, nine new actions, none of which is a class action, raising substantially the same allegations as the former class action have been filed in several jurisdictions on behalf of approximately 1,400 Trade Partners investors, though some have been dismissed over the course of the litigation and the current total is approximately 1,200. Management believes the Company has strong defenses and will vigorously defend the cases.

Trade Partners is now in receivership. The supervising court authorized the receiver to borrow money from Macatawa Bank to pay premiums, if needed. Macatawa Bank extended a \$4 million line of credit to the receiver, conditioned upon obtaining a security interest in the viaticals. No draws were made against the line, and the line expired during the fourth quarter of 2004.

On October 6, 2008 the Company reached a preliminary contingent settlement with counsel for the Plaintiffs in these proceedings. This agreement required various conditions to be satisfied by January 15, 2009. The Company does not believe it is likely that the contingencies, which are discussed in more detail below, will be satisfied and entered into the agreement anticipating that the plaintiffs’ response would help it assess the uncertainties of the litigation.

Both parties entered into a re-negotiation of the agreement in December and the preliminary contingent settlement was amended on January 29, 2009 with respect to the nature of the consideration to be paid. Effective May 5, 2009, the parties to the settlement agreement voluntarily and mutually agreed to amend certain terms of warrants to be issued and to extend the deadline for satisfaction of certain contingencies. Under the terms of the Amended Agreement, if all contingencies are satisfied and the settlement becomes final, the Company will pay the plaintiffs \$5.75 million in cash, and issue warrants to purchase a total of 1,500,000 shares of common stock at an exercise price of \$9.00 per share with the warrants exercisable for a five year period beginning on the later of one year from the warrant issue date or the date on which the registration statement for the underlying shares of common stock becomes effective. The Amended Agreement further provides that the plaintiffs are to receive amounts collected by the Company from other defendants up to \$250,000. If the Company collects less than \$250,000 from these other defendants, it is to make up the difference with cash. The Company’s insurers will contribute \$950,000 to the cash portion of the settlement. The Amended Agreement includes deadlines for satisfying certain contingencies. Under the terms of the Amended Agreement, the Company will not issue shares of common stock as part of the settlement (except pursuant to the warrant as described above).

NOTE 8 – CONTINGENCIES (continued)

The settlement involves no admission of fault or wrongdoing by the Company or Macatawa Bank.

The original contingent settlement agreement provided for a settlement of \$2.75 million in cash, including \$950,000 from the Company's insurers, \$250,000 in cash from third party defendants or the Company, common stock valued at \$3.0 million and three warrants for each share of common stock to be issued in the proposed settlement. The common stock was to have been issued at a price based on the average closing price for the 20 trading days preceding the date the settlement would have become final after the contingencies are satisfied, the stock warrants would have expired after three years and would have had an exercise price equal to 150% of the price per share at which the common stock was issued with the result that the number of shares and warrants to be issued would have been determined based on the stock price at the time the settlement becomes final. The Company's lower stock price affected its ability to offer stock causing both parties to enter into re-negotiation in December, 2008. The stock component of the original offer was replaced with cash when the agreement was amended in January 2009, but the value of the contingent settlement agreement was essentially unchanged.

Significant contingencies contained in the Amended Agreement are beyond the Company's control and there can be no assurance about if and when such additional contingencies will be satisfied. The contingencies include the requirement that by no later than May 20, 2009, ninety-eight percent (98%) of the total number of plaintiffs and ninety-eight percent (98%) of the total dollar amount of the claims must be resolved by said plaintiffs signing a release of claims. If the contingencies were satisfied and the litigation was settled, as proposed, the impact on the Company would be the recording of an additional expense of approximately \$3.3 million, net of tax.

There are approximately 1,200 plaintiffs located in 40 states and 13 different countries. Plaintiffs' claims differ widely depending upon which of the many different escrow agreements to which they were a party. This is not a class action and Plaintiff's counsel cannot act to bind the Plaintiffs. The Company believes that resolving this litigation would be in the best interests of the Company and its shareholders. However, based on the significance of the contingencies precedent within the contingent settlement agreement, particularly given the geographic disparity of the plaintiffs, the complicated nature of their varied claims, and the high number of plaintiffs involved combined with the high threshold (98%) required for release of claims, we do not believe it is probable that the contingencies will be satisfied and the litigation settled as contemplated by the contingent settlement agreement. The Company made the offer to settle, containing the contingencies noted above, in an attempt to avoid exposure to future litigation and to avoid the cost of litigation.

If the contingencies are not satisfied, and the offer accepted under its terms, the Trade Partners litigation will not be settled and the litigation process will resume. If the litigation resumes, the Company believes it has strong defenses and intends to continue to vigorously defend these actions. The outcome under litigation, however, is uncertain, and we are therefore unable to determine to what extent it will impact the Company. The outcome could involve less or more loss to the Company than the amount proposed in the settlement offer. Accordingly, no amount was accrued at March 31, 2009 for this matter.

It is possible that one or more additional legal actions may be initiated involving the custodial and escrow agent services provided by Grand Bank in connection with Trade Partners. If any such legal actions are commenced, the Company intends to defend them vigorously.

MACATAWA BANK CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 9 – SHAREHOLDERS’ EQUITY

Regulatory Capital

The Company and the Bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings, and other factors and the regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If the Bank is only adequately capitalized, regulatory approval is required to accept brokered deposits; and if the Bank is undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

At March 31, 2009 and December 31, 2008, actual capital levels and minimum required levels were (in thousands):

	<u>Actual</u>		<u>Minimum Required for Capital Adequacy Purposes</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Regulations</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<u>March 31, 2009</u>						
Total capital (to risk weighted assets)						
Consolidated	\$ 200,846	11.2%	\$ 143,857	8.0%	N/A	N/A
Bank	191,618	10.7	143,608	8.0	\$ 179,511	10.0%
Tier 1 capital (to risk weighted assets)						
Consolidated	178,163	9.9	71,928	4.0	N/A	N/A
Bank	168,973	9.4	71,804	4.0	107,706	6.0
Tier 1 capital (to average assets)						
Consolidated	178,163	8.5	83,689	4.0	N/A	N/A
Bank	168,973	8.1	83,573	4.0	104,466	5.0
<u>December 31, 2008</u>						
Total capital (to risk weighted assets)						
Consolidated	\$ 209,553	11.3%	\$ 148,835	8.0%	N/A	N/A
Bank	198,922	10.7	148,611	8.0	\$ 185,764	10.0%
Tier 1 capital (to risk weighted assets)						
Consolidated	186,112	10.0	74,417	4.0	N/A	N/A
Bank	175,516	9.5	74,306	4.0	111,458	6.0
Tier 1 capital (to average assets)						
Consolidated	186,112	8.8	85,101	4.0	N/A	N/A
Bank	175,516	8.3	84,997	4.0	106,246	5.0

The entire \$40.0 million of trust preferred securities outstanding at March 31, 2009 and December 31, 2008 qualified as Tier 1 capital. Refer to the Company’s Form 10-K as of December 31, 2008 for more information on the trust preferred securities. The Company and Bank’s Tier 1 capital excludes approximately \$3.1 million associated with a valuation allowance for deferred tax assets per regulatory capital guidelines. The valuation allowance is based upon the excess amount of deferred tax assets over which the Company estimates it could realize from future taxable income over the next twelve months.

NOTE 9 – SHAREHOLDERS' EQUITY (Continued)

The Bank was categorized as well capitalized at March 31, 2009 and December 31, 2008. There are no conditions or events since March 31, 2009 that management believes have changed its category.

Issuance of Convertible Preferred Stock

In the fourth quarter of 2008, the Company completed a private offering of 31,290 shares of 12.0% Series A Non-Cumulative Perpetual Convertible Preferred Stock (Series A Preferred Stock) with a liquidation preference of \$1,000 per share, resulting in an aggregate liquidation preference of \$31.3 million. Proceeds of \$30.6 million from issuance were net of \$662,000 of costs.

Each share of the Series A Preferred Stock is non-voting and may be convertible at any time, at the option of the holder, into 111.73 shares of common stock of the Company, which represents an approximate initial conversion price of \$8.95 per share of common stock. If all of the outstanding shares of Series A Preferred Stock were converted into common stock, the shares of Series A Preferred Stock would convert into a total of approximately 3.5 million shares of common stock at December 31, 2008. The conversion rate and conversion price will be subject to adjustments in certain circumstances. On or after the third anniversary of the issue date, at the option of the Company, the Series A Preferred Stock will be subject to mandatory conversion into common stock at the prevailing conversion rate, if the closing price of the Company's common stock exceeds 130% of the then applicable conversion price for 20 trading days during any 30 consecutive trading day period and the Company has paid full dividends on the Series A Preferred Stock for four consecutive quarters.

On February 19, 2009, the board of directors declared a quarterly cash dividend on the Series A Preferred Stock of \$30.00 per share. The dividend is payable April 30, 2009, to shareholders of record on March 15, 2009.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Macatawa Bank Corporation is a Michigan corporation and is the holding company for a wholly owned subsidiary, Macatawa Bank and for two trusts, Macatawa Statutory Trust I and Macatawa Statutory Trust II. Macatawa Bank is a Michigan chartered bank with depository accounts insured by the Federal Deposit Insurance Corporation. The bank operates twenty-six branch offices and a lending and operational service facility, providing a full range of commercial and consumer banking and trust and brokerage services in Kent County, Ottawa County, and northern Allegan County, Michigan. Macatawa Statutory Trusts I and II are grantor trusts and issued \$20.0 million each of pooled trust preferred securities. These trusts are not consolidated in the Corporation's financial statements. For further information regarding consolidation, see the Notes to the Consolidated Financial Statements included herein.

Since opening in November of 1997, Macatawa Bank has generally experienced rapid growth. Since the end of 2007, the Company has managed its growth at a slower rate to focus on maintaining asset quality within the generally weak economic conditions in West Michigan. We believe that growth in core deposits is key to our long-term success and it is our primary funding source for asset growth. Establishing a branching network in our markets has been of high importance in order to facilitate this core deposit growth. We have gained community awareness and acceptance in our markets through our expanding branch network and high quality service standards.

The West Michigan markets within which we operate have provided expansion opportunities for us. We anticipate expansion opportunities to occur when economic conditions begin to strengthen again, adding to growth in our balance sheet and earnings. We anticipate additional branch openings within the next few years in the greater Grand Rapids area as we believe there is a significant opportunity for market share growth in this market. We also continue to enjoy success in building new and existing relationships in both our Holland/Zeeland and Grand Haven markets.

RESULTS OF OPERATIONS

Summary: Net loss available to common shares for the quarter ended March 31, 2009 was \$5.1 million, compared to first quarter 2008 net income of \$2.4 million. Loss per common share on a diluted basis was \$0.30 for the first quarter of 2009 compared to earnings per common share of \$0.14 for the same period in 2008.

The decrease in net income for the three months ended March 31, 2009 compared to the same period in the prior year was primarily due to an increase in the provision for loan losses. Also contributing to the decrease was a decrease in net interest income and an increase in noninterest expense partially offset by an increase in noninterest income.

Net Interest Income: Net interest income totaled \$12.8 million for the first quarter of 2009, a decrease of \$1.9 million as compared to the first quarter of 2008. The decrease in net interest income was from both a decline in average earning assets and net interest margin. The net interest margin decreased 33 basis points to 2.66% for the first quarter of 2009 when compared to the same period in the prior year. The majority of the margin decline was related to rising balances of nonperforming assets. Also contributing to the margin decline was the Federal funds and prime rate cuts that occurred throughout 2008. Average earning assets decreased \$11.4 million to \$1.96 billion for the first quarter of 2009 compared to the same period of the prior year.

The decrease in the yield on assets exceeded the decrease in the cost of funds and was the primary reason for the decline in the net interest margin.

The yield on earning assets decreased by 117 basis points for the three months ended March 31, 2009 compared to the same period in the prior year. The short-term interest rate cuts that began in the third quarter of 2007 and continued throughout 2008 caused a decrease in the yield on our variable rate loan portfolio and was the primary reason for the decrease in yield on earning assets. The decline was also impacted by rising balances of nonperforming loans and an increase in lower yielding short-term investments. The rising balances of nonperforming loans throughout 2008 and into 2009 resulted in a decline of approximately 22 basis points for the three months ended March 31, 2009 compared to the same period in the prior year.

The cost of funds decreased 91 basis points for the three months ended March 31, 2009 compared to the same period in the prior year. A decrease in the rates paid on our deposit accounts in response to declining market rates, the rollover of time deposits at lower rates, and the repositioning of other borrowings within the lower rate environment were the primary reasons for the decrease in the cost of funds.

The level of earning assets is expected to decline slightly due to the generally weak economic conditions in Michigan. A continued decline in the cost of funds, primarily from the repricing of term funding at lower costs, is expected to have a positive impact on net interest income throughout the remainder of 2009.

The following table shows an analysis of net interest margin for the three month periods ending March 31, 2009 and 2008.

For the three months ended March 31,

	2009			2008		
	Average Balance	Interest Earned or paid	Average Yield or cost	Average Balance	Interest Earned or paid	Average Yield or cost
(Dollars in thousands)						
Assets						
Taxable securities	\$ 124,677	\$ 1,264	4.06%	\$ 145,128	\$ 1,643	4.53%
Tax-exempt securities (1)	52,022	547	6.46%	51,418	542	6.48%
Loans(2)	1,738,985	23,146	5.33%	1,759,959	28,965	6.53%
Federal Home Loan Bank stock	12,275	123	4.02%	12,275	153	4.93%
Federal funds sold and other short-term investments	31,400	44	0.56%	2,005	14	2.64%
Total interest earning assets (1)	1,959,359	25,124	5.20%	1,970,785	31,317	6.37%
Noninterest earning assets:						
Cash and due from banks	23,191			27,752		
Other	118,374			118,068		
Total assets	\$2,100,924			\$2,116,605		
Liabilities						
Deposits:						
Interest bearing demand	\$ 230,468	403	0.71%	\$ 261,429	1,172	1.80%
Savings and money market accounts	406,718	873	1.02%	402,094	2,393	2.39%
Time deposits	812,101	7,704	3.85%	724,353	8,269	4.59%
Borrowings:						
Other borrowed funds	276,790	2,902	4.19%	338,654	3,856	4.50%
Long-term debt	41,238	446	4.32%	41,238	780	7.48%
Federal funds purchased	28	---	0.00%	16,979	150	3.50%
Total interest bearing liabilities	1,767,343	12,328	2.82%	1,784,747	16,620	3.73%
Noninterest bearing liabilities:						
Noninterest bearing demand accounts	170,872			160,525		
Other noninterest bearing liabilities	11,962			6,830		
Shareholders' equity	150,747			164,503		
Total liabilities and shareholders' equity	\$2,100,924			\$2,116,605		
Net interest income		\$ 12,796			\$ 14,697	
Net interest spread (1)			2.38%			2.64%
Net interest margin (1)			2.66%			2.99%
Ratio of average interest earning assets to average interest bearing liabilities	110.86%			110.42%		

(1) Yield adjusted to fully tax equivalent.

(2) Includes non-accrual loans.

Provision for Loan Losses: The provision for loan losses for the three month period ended March 31, 2009 was \$10.5 million compared to \$2.7 million for the same period in the prior year. The increase in the provision for loan losses was the result of higher net charge-offs and additional reserves considered necessary from increasing impaired loan levels in the first quarter of 2009 compared to the first quarter of 2008. These higher charge-off and reserve requirements are mostly associated with significant declines in the value of collateral securing real estate loans primarily for residential land development.

The ultimate amounts of loan loss provision in both the current and prior year period were a byproduct of establishing our allowance for loan losses at levels deemed necessary in our methodology for determining the adequacy of the allowance. For more information about our allowance for loan losses and our methodology for establishing its level, see the discussion below under Portfolio Loans and Asset Quality.

Noninterest Income: Noninterest income for the three month period ended March 31, 2009 increased to \$5.3 million from \$5.0 million for the same period in the prior year. The three month period ended March 31, 2008 included \$832,000 of gains realized on the settlement of interest rate swaps. An increase of approximately \$1.1 million of net gains on mortgage loans to \$1.62 million for the first quarter of 2009 was the primary reason for the increase, and was largely associated with a significant increase in refinancing activity from the decline in mortgage rates during the quarter. An increase in revenue from ATM and debit card processing offset slight declines in revenue from deposit and trust services and are the primary reasons for remaining changes in non-interest income. The lower level of equity market valuations in the first quarter of 2009 versus the first quarter of 2008 was the primary reason for the decrease in trust income.

Noninterest Expense: Noninterest expense for the three month period ended March 31, 2009 increased to \$14.5 million compared to \$13.6 million for the same period in the prior year. The primary reason for the increase for the three month period related to the cost of higher levels of nonperforming assets. Costs associated with nonperforming assets include legal costs, repossessed and foreclosed property administration expense and losses on foreclosed properties. Repossessed and foreclosed property administration expense includes survey and appraisal, property maintenance and management and other disposition and carrying costs. Losses on foreclosed properties include both net losses on the sale of foreclosed properties and subsequent reductions from value declines for outstanding foreclosed properties. These costs amounted to approximately \$2.2 million for the three month period ended March 31, 2009 compared to \$377,000 for the same period in 2008 as itemized in the following table (in thousands):

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Legal and professional	\$ 236	\$ 85
Repossessed and foreclosed property administration	868	35
Losses on foreclosed properties	1,055	257
	<hr/>	<hr/>
Total	\$ 2,159	\$ 377
	<hr/>	<hr/>

FDIC assessments also increased by \$410,000 to \$771,000 for the first quarter of 2009 compared to \$361,000 for the first quarter of 2008 due to higher assessment rates implemented by the FDIC.

When excluding nonperforming asset costs and FDIC assessments, non-interest expense would have been approximately \$11.6 million for the quarter, down 10% from \$12.9 million for the first quarter of 2008.

Expense reduction initiatives that began in early 2008 have allowed the Company to manage costs in nearly all other areas of non-interest expense to offset the increases driven by higher nonperforming asset levels. Salaries and benefit expense decreased \$758,000, or 11%, in the first quarter of 2009 compared to the first quarter of 2008 largely due to staff reductions that occurred in 2008 and a curtailment of bonuses and wage increases in response to the deteriorating economic conditions. We expect efficiency to continue to improve in 2009 in response to these initiatives.

Federal Income Tax Expense (Benefit): The Company recorded a federal income tax benefit of \$2.7 million for the three month period ended March 31, 2009 as a result of the net loss during the period. This compared to federal income tax expense of \$971,000 for the same period in the prior year. The difference between the Company's financial statement tax expense (benefit) and the amount computed by applying the Company's statutory federal tax rate of 35% for all periods is primarily due to tax exempt income from bank-owned life insurance and interest on municipal securities.

FINANCIAL CONDITION

Summary: Total assets were \$2.09 billion at March 31, 2009 a decrease of \$57.0 million from \$2.15 billion at December 31, 2008. The overall decrease in total assets reflects a decline of \$74.1 in our loan portfolio and \$10.1 million in available for sale securities partially used to increase short-term investments by \$34.2 million.

Federal Funds Sold and Other Short Term Investments: The increase in Federal funds sold and other short-term investments to \$73.4 at March 31, 2009 was from liquid money market investments held to improve the liquidity of the balance sheet during this period of economic slowdown. The Company expects to maintain these higher balances until conditions improve and more attractive investment opportunities emerge.

Securities Available for Sale: Securities available for sale were \$174.6 million at March 31, 2009 compared to \$184.7 million at December 31, 2008. The decrease was primarily due to calls and maturities of approximately \$16.5 million of U.S. Government Agency bonds, partially offset by purchases of U.S. Government Agency bonds.

Portfolio Loans and Asset Quality: Total portfolio loans declined by \$74.1 million to \$1.70 billion at March 31, 2009 compared to \$1.77 billion at December 31, 2008. During the first three months of 2009, our commercial, residential mortgage and consumer loan portfolios decreased by \$46.8 million, \$21.3 million and \$5.5 million, respectively.

Despite the decline in the residential mortgage portfolio, the volume of activity in this segment remained strong during the quarter. As a result of the drop in mortgage interest rates in response to the weakening economic conditions and resulting government action, the company experienced a significant increase in refinancing activity. Much of the decline in the residential mortgage portfolio was from this refinancing and subsequent sale in the secondary market. Mortgage loans originated for sale were \$74.5 million in the first quarter of 2009 compared to \$33.5 million for the same period in the prior year.

The decline in the commercial loan portfolio in recent quarters is a reflection of the weak economic conditions in West Michigan and our interest in maintaining the quality of our loan portfolio. In particular, deterioration in residential land development has impacted both asset growth and asset quality. The Company continues to focus its efforts on reducing its reliance on residential land development, diversifying its commercial loan portfolios and improving asset quality.

Commercial and commercial real estate loans still remain our largest loan segment and accounted for approximately 78% of the total loan portfolio at both March 31, 2009 and December 31, 2008. Residential mortgage loans and consumer loans each comprised 11% of total loans at both March 31, 2009 and December 31, 2008.

A further breakdown of the composition of commercial loans is shown in the table below (in thousands):

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
Construction and Development	\$ 228,499	\$ 237,108
Commercial Real Estate	688,068	690,525
	<u>916,567</u>	<u>927,633</u>
Total Commercial Real Estate	415,635	451,826
Commercial and Industrial	<u>\$ 1,332,202</u>	<u>\$ 1,379,459</u>
Total Commercial Loans		

Commercial real estate consists primarily of loans to business owners and developers of owner and non-owner occupied properties, secured by single and multi-family residential as well as non-residential real estate. Loans for the development or sale of 1-4 family residential properties were approximately \$196.9 million at March 31, 2009 compared to \$203.7 million at December 31, 2008. Although it represents a narrow and declining slice of our commercial real estate portfolio, this segment has also been the major source of the Company's asset quality challenges discussed more fully below. Of the total at March 31, 2009, approximately \$24.2 million was secured by vacant land, \$114.4 million was secured by developed residential land and \$58.3 million was secured by 1-4 family properties held for speculative purposes. Vacant land is zoned for residential purposes but with no further development. Developed residential land has been further developed for future residential construction, including but not limited to completed lot surveys, road work, water, sewer and other utility preparation and general land grade. 1-4 family properties held for speculative purposes are on developed residential lots and include completed residential homes or residential homes in the process of construction.

Our loan portfolio is reviewed regularly by our senior management, our loan officers, and an internal loan review team that is independent of our loan originators. An administrative loan committee consisting of senior management and seasoned lending and collections personnel meets monthly to manage the Company's internal watch list and proactively manage high risk loans. When reasonable doubt exists concerning collectibility of interest or principal of one of our loans, that loan is placed in non-accrual status. Any interest previously accrued but not collected is reversed and charged against current earnings.

Nonperforming assets are comprised of nonperforming loans, foreclosed assets and repossessed assets. Nonperforming loans include loans on non-accrual status, restructured loans and loans delinquent more than 90 days but still accruing. Foreclosed and repossessed assets include assets acquired in settlement of loans.

As of March 31 2009, nonperforming loans totaled \$113.6 million or 6.68% of total portfolio loans compared to \$92.3 million or 5.20% of total portfolio loans at December 31, 2008.

Loans for the development or sale of 1-4 family residential properties were approximately \$70.2 million or 62% of total non-performing loans at March 31, 2009 compared to \$59.9 million or 65% of total non-performing loans at December 31, 2008. Of the total at March 31, 2009, approximately \$3.4 million was secured by vacant land, \$47.3 million was secured by developed residential land and \$19.2 million was secured by 1-4 family properties held for speculative purposes.

Foreclosed assets totaled \$18.5 million at March 31, 2009 compared to \$19.5 million at December 31, 2008. Of the \$18.5 million, there were 32 commercial real estate relationships totaling approximately \$17.7 million. The remaining balance was comprised of 11 residential mortgage properties totaling approximately \$1.8 million. All properties are carried at their fair value less costs to sell.

The Company experienced an increase in sales of foreclosed properties during the quarter. Proceeds from sales of foreclosed properties were \$3.1 million during the first quarter of 2009 resulting in a net loss of \$6,000.

The following table shows the composition and amount of our nonperforming assets:

Nonaccrual loans	\$ 110,120	\$ 89,049
Renegotiated loans	1,942	21
Loans 90 days past due and still accruing	1,545	3,200
	<hr/>	<hr/>
Total nonperforming loans	113,607	92,270
Foreclosed assets	18,510	19,516
Repossession assets	564	306
	<hr/>	<hr/>
Total nonperforming assets	\$ 132,681	\$ 112,092
	<hr/>	<hr/>
Nonperforming loans to total loans	6.68%	5.20%
Nonperforming assets to total assets	6.33%	5.21%

Allowance for loan losses: The allowance for loan losses as of March 31, 2009 was \$39.1 million or 2.30% of total portfolio loans, compared to \$38.3 million or 2.16% of total portfolio loans at December 31, 2008. Net charge-offs for the three months ended March 31, 2009 totaled \$9.7 million, an increase of \$5.5 million compared to \$4.2 million for the same period in 2008. The provision for loan losses increased \$7.8 million to \$10.5 million for the three months ended March 31, 2009 compared to \$2.7 million for the same period of the prior year.

The increase in both net charge-offs and the provision for loan losses was largely associated with continued declines in the value of collateral for the residential land development loan portfolio and an increase in impaired loans during the period. For residential land development loans, cash flow to service the debt is primarily expected from sales of lots and properties securing these loans, which has declined markedly throughout 2008 and into 2009. This deterioration in cash flows and resulting expected future cash flows is the primary reason for the declines in the value of the real estate securing these loans.

The ratio of net charge-offs to average loans was 2.23% on an annualized basis for the first three months of 2009 compared to 0.95% for the first three months of 2008.

Our allowance for loan losses is maintained at a level considered appropriate based upon our regular, quarterly assessments of the probable incurred credit losses inherent in the loan portfolio. Our methodology for measuring the appropriate level of allowance is comprised of several key elements, which include specific allowances for loans considered impaired, formula allowance for graded loans, general allocations based on historical trends for pools of similar loan types, and under certain circumstances, reserves related to current market conditions that are pertinent to certain aspects of the loan portfolio.

Specific allowances are established in cases where senior credit management has identified significant conditions or circumstances related to an individually impaired credit that we believe indicates the probability that a loss has been incurred. This amount is determined by methods prescribed by SFAS No. 114, "Accounting by Creditors for Impairment of a Loan". Impaired loans increased to \$165.7 million at March 31, 2009 from \$151.9 million at December 31, 2008. The increase in impaired loans is primarily from loans associated with residential land development. The specific allowance for impaired loans was \$21.8 million at March 31, 2009 and \$20.0 million at December 31, 2008 and is the primary reason for the increase in the allowance for loan losses during the quarter.

The allowance allocated to commercial loans that are not considered to be impaired is based upon the internal risk grade of such loans. We use a loan rating method based upon an eight point system. Loans are assigned a loss allocation factor for each loan classification category. The lower the grade assigned to a loan category, the greater the allocation percentage that is applied. Changes in risk grade of loans affect the amount of the allowance allocation. An allowance for these types may be established due to a change in economic conditions and trends for that type. The determination of our loss factors is based upon our actual loss history by loan grade and adjusted for significant factors that, in management's judgment, affect the collectibility of the portfolio as of the analysis date. The commercial loan allowance was \$14.9 million at March 31, 2009 compared to \$15.4 million at December 31, 2008. The decline in the commercial loan allowance was primarily related to the overall decline in the commercial loan portfolio during the quarter.

Groups of homogeneous loans, such as residential real estate, open- and closed-end consumer loans, etc., receive allowance allocations based on loan type. As with commercial loans, the determination of the allowance allocation percentage includes consideration of historical loss trends based on industry and peer experience as well as our historical loss experience. General economic and business conditions, credit quality and delinquency trends, collateral values, and recent loss experience are considered in connection with allocation factors for these similar pools of loans. The homogeneous loan allowance was \$2.4 million at March 31, 2009 compared to \$2.9 million at December 31, 2008. The decrease was related to a decline in both the balance and past due status of both the residential mortgage and consumer loan portfolios.

Deposits and Other Borrowings: Total deposits decreased \$41.1 million to \$1.62 billion at March 31, 2009 compared to \$1.67 billion at December 31, 2008, primarily due to a decrease in seasonal balances of local municipal and other institutional customers. Also contributing to the decrease in total deposits was a \$10 million decrease in brokered deposits.

Other borrowed funds, consisting of securities sold under agreements to repurchase and Federal Home Loan Bank advances, declined by \$16.1 million during the quarter.

Because of the decline in assets during the quarter, the Company was able to manage of decrease in some of its more interest rate sensitive deposits and other borrowed funds.

The Company expects its slower asset growth rates and its continued focus on growing core deposits will allow it to further reduce its reliance on brokered deposits and other borrowed funds.

Although the current environment presents challenges for core deposit growth in the near term, we believe that our continued focus on quality customer service, the desire of customers to deal with a local bank, and the convenience of our expanding and maturing branch network, will provide growth in our core deposits over time.

CAPITAL RESOURCES AND LIQUIDITY

Capital Resources: Total shareholders' equity decreased \$4.6 million to \$144.6 million at March 31, 2009 compared to \$149.2 million at December 31, 2008. The decrease was primarily from the \$4.1 million net loss the Company incurred in the first quarter of 2009. Cash dividends of \$939,000 or \$30.00 per share were declared on preferred shares during the first quarter of 2009. The Company has continued its temporary suspension of cash dividends to common shareholders to maintain its capital levels during the current economic downturn.

Our total capital to risk-weighted assets was 11.17% at March 31, 2009 compared to 11.26% at December 31, 2008. Our Tier 1 Capital as a percent of average assets was 8.5% and 8.8%, respectively at March 31, 2009 and December 31, 2008. Both ratios continue to be maintained at levels in excess of the regulatory minimums for bank holding companies.

The ratios declined since the beginning of the year primarily because of the decline in total capital noted above. The decline is also partly associated with a valuation allowance for deferred tax assets per regulatory guidelines as discussed in the Shareholders' Equity footnote.

During the fourth quarter of 2008, the Company completed a private offering of 31,290 shares of 12.0% Series A Non-Cumulative Perpetual Convertible Preferred Stock (Series A Preferred Stock) with a liquidation preference of \$1,000 per share, resulting in capital proceeds of \$31.3 million. The shares are convertible into common stock at the option of the holder at a price per share of \$8.95. On or after October 31, 2011, the preferred stock will be subject to mandatory conversion into common stock under certain circumstances.

Capital sources include, but are not limited to, additional common stock offerings, preferred stock and trust preferred stock offerings and subordinated debt. The Company is also carefully evaluating the U.S. Treasury Department's Capital Purchase Program for making equity investments in banks and has applied to participate in that program.

Liquidity: The liquidity of a financial institution reflects its ability to manage a variety of sources and uses of funds. Our Consolidated Statements of Cash Flows categorize these sources and uses into operating, investing and financing activities. We primarily focus on developing access to a variety of borrowing sources to supplement our deposit gathering activities and provide funds for growing our investment and loan portfolios. Our sources of liquidity include our borrowing capacity with the Federal Reserve Bank of Chicago's discount window, the Federal Home Loan Bank, federal funds purchased lines and other secured borrowing sources with our correspondent banks, loan payments by our borrowers, maturity and sales of our securities available for sale, growth of our deposits and deposit equivalents, federal funds sold, and the various capital resources discussed above.

Liquidity management involves the ability to meet the cash flow requirements of our customers. Our customers may be either borrowers with credit needs or depositors wanting to withdraw funds. Our liquidity management involves periodic monitoring of our assets considered to be liquid and illiquid, and our funding sources considered to be core and non-core and short-term (less than 12 months) and long-term. We have established parameters that monitor, among other items, our level of liquid assets to short-term liabilities, our level of non-core funding reliance and our level of available borrowing capacity. We have also developed a contingency funding plan to stress test our liquidity requirements arising from certain events that may trigger liquidity shortages, such as rapid loan growth in excess of normal growth levels or the loss of deposits and other funding sources under extreme circumstances.

We have historically grown our portfolio loans more rapidly than our core deposits. Accordingly, we have relied upon other wholesale funding sources (including brokered deposits, borrowings from the Federal Home Loan Bank and other borrowing sources). We maintain a diversified wholesale funding structure and actively manage our maturing wholesale sources to reduce the risk to liquidity shortages.

In response to the volatile conditions in the national markets we have actively pursued initiatives to further strengthen our liquidity position. During the first quarter of 2009, we reduced our reliance on other borrowed funds by over \$16 million and increased our liquid investments by nearly \$34 million. We feel our liquidity position is sufficient to meet our normal and contingent liquidity needs.

Forward Looking Statements

This report includes “forward-looking statements” as that term is used in the securities laws. All statements regarding our expected financial position, business and strategies are forward-looking statements. In addition, the words “anticipates,” “believes,” “estimates,” “seeks,” “expects,” “plans,” “intends,” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. The presentation and discussion of the provision and allowance for loan losses, statements concerning future profitability or future growth or increases, and statements about the adequacy of our capital resources are examples of inherently forward looking statements in that they involve judgments and statements of belief as to the outcome of future events. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and our future prospects include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in our market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning us and our business, including additional factors that could materially affect our financial results, is included in our filings with the Securities and Exchange Commission.

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Analysis

Our primary market risk exposure is interest rate risk and, to a lesser extent, liquidity risk. All of our transactions are denominated in U.S. dollars with no specific foreign exchange exposure. Macatawa Bank has only limited agricultural-related loan assets, and therefore has no significant exposure to changes in commodity prices. A more detailed discussion of our exposure to market risk can be found in our December 31, 2008 Form 10-K.

We utilize a simulation model as our primary measurement technique in our interest rate risk management. Our simulation analyses monitors the direction and magnitude of variations in net interest income and the economic value of equity (“EVE”) resulting from potential changes in market interest rates.

The following table shows the impact of changes in interest rates on net interest income over the next twelve months and EVE based on our balance sheet as of March 31, 2009 (dollars in thousands).

Interest Rate Scenario	Economic Value of Equity	Percent Change	Net Interest Income	Percent Change
Interest rates up 200 basis points	\$ 142,361	(5.60)%	\$ 58,464	1.81%
Interest rates up 100 basis points	147,239	(2.37)	57,275	(0.26)
No change in interest rates	150,812	---	57,426	---
Interest rates down 100 basis points	152,999	1.45	58,040	1.07
Interest rates down 200 basis points	152,906	1.39	58,296	1.51

This analysis suggests that net interest income will stay within a narrow range over the next twelve months under the differing rate scenarios. Further, our balanced sensitivity in time horizons beyond one year results in little fluctuation in EVE under the various rate shock scenarios. If interest rates were to rise, this analysis suggests that we are positioned for improvement in net interest income over the next twelve months.

Item 4: CONTROLS AND PROCEDURES

- (a) Evaluation of Disclosure Controls and Procedures. The Company's Co-Chief Executive Officers and Chief Financial Officer, after evaluating the effectiveness of the company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Form 10-Q Quarterly Report, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would be made known to them by others within the company, particularly during the period in which this Form 10-Q Quarterly Report was being prepared.
- (b) Changes in Internal Controls. During the period covered by this report, there have been no changes in the Company's internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Please refer to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, (Part II, Item 1 Legal Proceedings) for information concerning legal proceedings related to Trade Partners, Inc.

A lawsuit was filed in April 2003 by John and Kathryn Brand in Oklahoma state court against Grand Bank, the Company, Trade Partners and certain individuals and entities associated with Trade Partners. The complaint sought damages for the asserted breach of certain escrow agreements for which Grand Bank served as custodian and escrow agent. The claims asserted against the Company and Grand Bank in this action have been settled and dismissed with prejudice.

In May 2003, a purported class action complaint was filed by Forrest W. Jenkins and Russell S. Vail against the Company in the United States District Court for the District of Western Michigan. As amended, this suit alleges that Grand Bank breached escrow agreements and fiduciary duties and violated the Michigan Uniform Securities Act with respect to the investments secured by the purported class in viaticals and in interests in limited partnerships which made loans to Trade Partners secured by viaticals, and with respect to loans made by purported class members directly to Trade Partners. Plaintiffs' motion for class certification was denied in November 2006. The Company has answered this complaint denying the material allegations and raising certain affirmative defenses.

Following denial of class certification in the Jenkins case, nine new cases were filed in several different jurisdictions. These complaints are identical in all material respects other than the identity of the plaintiffs, and are substantially identical to the complaint in the Jenkins litigation. None of these complaints contain class action allegations, but the total number of named plaintiffs in all the nine cases is currently about 1,200. The cases are: Ronald Ash, et. al. v. Macatawa Bank Corporation, et. al.—filed November 17, 2006 in the District Court for Oklahoma County, Oklahoma, subsequently removed by the Company to the United States District Court for the Western District of Oklahoma; Steven M. Adamson, et. al. v. Macatawa Bank Corporation, et. al.—filed November 15, 2006 in the United States District Court for the Western District of Oklahoma; James Lee Myers et. al. v. Macatawa Bank Corporation, et. al.—filed November 14, 2006 in the Superior Court for Los Angeles County, California, subsequently removed by the Company to the United States District Court for the Central District of California; Frank V. Bailey et. al. v. Macatawa Bank Corporation, et. al.—filed November 29, 2006 in the United States District Court for the Northern District of Texas; Eddie Elkins, et. al. v. Macatawa Bank Corporation—filed January 29, 2007 in the United States District Court for the Western District of Oklahoma; William A. Giese, et. al. v. Macatawa Bank Corporation, et. al.—filed November 17, 2006 in the Circuit Court for Kent County, Michigan; Gerald Abraham, et. al. v. Macatawa Bank Corporation, et. al.—filed November 29, 2006 in the Circuit Court for Kent County, Michigan; Irge Acevedo, et. al. v. Macatawa Bank Corporation, et. al.—filed December 17, 2006 in the Circuit Court for Kent County, Michigan; and Jose Javier Acasuso, et. al. v. Macatawa Bank Corporation, et. al.—filed January 17, 2007 in the Circuit Court for Kent County, Michigan.

The Company believes it has meritorious defenses to these cases, and has vigorously defended them.

On October 6, 2008 the Company reached a preliminary contingent settlement with counsel for the Plaintiffs in these proceedings. This agreement required various conditions to be satisfied by January 15, 2009. The Company does not believe it is likely that the contingencies, which are discussed in more detail below, will be satisfied and entered into the agreement anticipating that the plaintiffs' response would help it assess the uncertainties of the litigation.

Both parties entered into a re-negotiation of the agreement in December and the preliminary contingent settlement was amended on January 29, 2009 with respect to the nature of the consideration to be paid and again on April 30, 2009 with respect to certain terms of warrants to be issued and an extension of the deadline for satisfaction of certain contingencies. Under the terms of the Amended Agreement, if all contingencies are satisfied and the settlement becomes final, the Company will pay the plaintiffs \$5.75 million in cash, and issue warrants to purchase a total of 1,500,000 shares of common stock at an exercise price of \$9.00 per share exercisable after one year over a term of the five ensuing years. The Amended Agreement further provides that the plaintiffs are to receive amounts collected by the Company from other defendants up to \$250,000. If the Company collects less than \$250,000 from these other defendants, it is to make up the difference with cash. The Company's insurers will contribute \$950,000 to the cash portion of the settlement. The Amended Agreement includes deadlines for satisfying certain contingencies. Under the terms of the Amended Agreement, the Company will not issue shares of common stock as part of the settlement (except pursuant to the warrant as described above).

The settlement involves no admission of fault or wrongdoing by the Company or Macatawa Bank.

The original contingent settlement agreement provided for a settlement of \$2.75 million in cash, including \$950,000 from the Company's insurers, \$250,000 in cash from third parties defendants or the Company, common stock valued at \$3.0 million and three warrants for each share of common stock to be issued in the proposed settlement. The common stock was to have been issued at a price based on the average closing price for the 20 trading days preceding the date the settlement would have become final after the contingencies are satisfied, the stock warrants would have expired after three years and would have had an exercise price equal to 150% of the price per share at which the common stock was issued with the result that the number of shares and warrants to be issued would have been determined based on the stock price at the time the settlement becomes final. The Company's lower stock price affected its ability to offer stock causing both parties to enter into re-negotiation in December, 2008. The stock component of the original offer was replaced with cash when the agreement was amended in January 2009, but the value of the contingent settlement agreement was essentially unchanged.

Significant contingencies contained in the Amended Agreement are beyond the Company's control and there can be no assurance about if and when such additional contingencies will be satisfied. The contingencies include the requirement that by no later than May 20, 2009, ninety-eight percent (98%) of the total number of plaintiffs and ninety-eight percent (98%) of the total dollar amount of the claims must be resolved by said plaintiffs signing a release of claims. If the contingencies were satisfied and the litigation was settled, as proposed, the impact on the Company would be the recording of an additional expense of approximately \$3.3 million, net of tax.

There are approximately 1,200 plaintiffs located in 40 states and 13 different countries. Plaintiffs' claims differ widely depending upon which of the many different escrow agreements to which they were a party. This is not a class action and Plaintiff's counsel cannot act to bind the Plaintiffs. The Company believes that resolving this litigation would be in the best interests of the Company and its shareholders. However, based on the significance of the contingencies precedent within the contingent settlement agreement, particularly given the geographic disparity of the plaintiffs, the complicated nature of their varied claims, and the high number of plaintiffs involved combined with the high threshold (98%) required for release of claims, we do not believe it is probable that the contingencies will be satisfied and the litigation settled as contemplated by the contingent settlement agreement. The Company made the offer to settle, containing the contingencies noted above, in an attempt to avoid exposure to future litigation and to avoid the cost of litigation.

If the contingencies are not satisfied, and the offer accepted under its terms, the Trade Partners litigation will not be settled and the litigation process will resume. If the litigation resumes, the Company believes it has strong defenses and intends to continue to vigorously defend these actions. The outcome under litigation, however, is uncertain, and we are therefore unable to determine to what extent it will impact the Company. The outcome could involve less or more loss to the Company than the amount proposed in the settlement offer. Accordingly, no amount has been accrued at March 31, 2009 for this matter.

On April 15, 2003, the United States District Court for the Western District of Michigan appointed a receiver for Trade Partners. In order to prevent or minimize any loss to investors in the viaticals sold by Trade Partners to investors, the court-appointed receiver coordinated the payment of premiums on the approximately 1,000 outstanding viaticated insurance policies in the Trade Partners portfolio so that the policies would not lapse. The receiver informed the Company that nine policies with a total face value of approximately \$1.4 million lapsed for failure to pay premiums prior to the receiver's coordination efforts. In addition, the receiver unsuccessfully contested a partial lapse totaling about \$700,000. In February 2008 the receiver reported that he had discovered that an unspecified number of group policies in an unspecified face amount had apparently lapsed prior to the receivership "for various reasons, including companies that went out of business or employees who had been terminated."

On July 1, 2003, the United States District Court for the Western District of Michigan authorized the receiver to borrow money from Macatawa Bank to pay premiums, if needed. Macatawa Bank agreed to extend a \$4 million line of credit to the receiver, conditioned upon obtaining a security interest in the viaticals. No draws were made against the line, and the line expired during the fourth quarter of 2004.

The receiver received authorization from the Court in July 2005 to sell the entire portfolio, which the receiver said had a face value of approximately \$170 million, to Universal Settlements International, Inc., a Canadian company, for an amount equal to 26.58% of face value. Under the terms of the sale, payments were to be made by Universal Settlements to the receivership as policy transfers are processed by the issuing insurance companies. Litigation ensued between the receiver and Universal Settlements. The receiver reported on April 27, 2009 that that litigation has been settled, and stated that as a result of the relationship with Universal Settlements the receivership has realized \$42,276,571.70.

The receiver on July 21, 2006 filed a proposed amended plan of distribution and related disclosure statement, contemplating a complete liquidation of the assets of Trade Partners. The plan was approved by the Court on January 7, 2007. The receiver reported as of February 5, 2008 that claims against the receivership estate totaled \$169,430,383.85, but that contrary to his earlier reports he now expected that there may be "one or two" additional claims in unspecified amounts that will be filed.

The receiver reported that he commenced distributions on January 19, 2007, and that as of January 15, 2009 \$46,990,300 in court-approved claims and settlements had been distributed. On February 24, 2009 the receiver requested authority from the Court to make an interim distribution of an additional \$10,000,000. The Court has not yet ruled on this request. There may be additional distributions in the future, but we do not know when they may occur or in what amount.

It is possible that one or more additional legal actions may be initiated involving the custodial and escrow agent services provided by Grand Bank in connection with Trade Partners. If any such legal actions are commenced, the Company intends to defend them vigorously.

As of the date hereof, except as disclosed above, there were no material pending legal proceedings, other than routine litigation incidental to the business of banking to which we or any of our subsidiaries are a party of or which any of our properties are the subject.

Item 1A. Risk Factors.

There have been no material changes in the risk factors applicable to the Company from those disclosed in its Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On May 17, 2007, the Corporation announced a repurchase plan that authorized share repurchases of up to \$30 million of the Corporation's common stock. The Corporation did not repurchase any shares of its common stock in the open market under the repurchase plan during the first quarter of 2009. The Corporation has remaining authority to repurchase up to \$26,103,695 of market value of its common stock under the repurchase plan.

Item 3. Defaults Upon Senior Securities. None.

Item 4. Submission of Matters to a Vote of Securities Holders. None.

Item 5. Other Information.

As previously disclosed in a Current Report on Form 8-K dated January 30, 2009, the Company and Macatawa Bank entered into an amended Settlement and Release and Stock and Warrant Issuance Agreement (the "Settlement Agreement") in connection with the legal proceedings related to Trade Partners, Inc. The legal proceedings related to Trade Partners are more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

The parties to the Settlement Agreement are Macatawa Bank Corporation, Macatawa Bank, Richard Deardorff, and the law firms Nickens, Keeton, Lawless, Farrell & Flack LLP and Moulton & Meyer, LLP, counsel for the majority of plaintiffs.

On May 5, 2009, the parties to the Settlement Agreement signed a letter agreement (the "Letter Agreement") amending the Settlement Agreement. A copy of the Letter Agreement is attached as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

The Letter Agreement extends from April 30, 2009, to May 20, 2009, the deadline for the plaintiffs to satisfy the contingencies that at least ninety-eight percent (98%) of the total number of plaintiffs and ninety-eight percent (98%) of the total dollar amount of the claims must be resolved by said plaintiffs signing a release of claims. The contingencies contained in the Settlement Agreement as amended by the Letter Agreement remain beyond the Company's control and there can be no assurance about if and when such additional contingencies will be satisfied.

The Letter Agreement also amends the Warrant Agreement to provide that the warrants will not become exercisable until the later of (a) 366 days after the warrants are issued, and (b) the date on which the Registration Statement (as defined in the Warrant Agreement) becomes effective. The term of the warrants, if issued, will be five years from the date on which they become exercisable (subject to certain extensions described in the Warrant Agreement).

The Letter Agreement does not change the previously disclosed cash component of the settlement.

Item 6. Exhibits.

- 10.1 Letter Agreement executed May 5, 2009, amending the Amended Settlement and Release and Stock and Warrant Issuance Agreement.
- 31.1 Certificate of the Co-Chief Executive Officer of Macatawa Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certificate of the Co-Chief Executive Officer of Macatawa Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certificate of the Chief Financial Officer of Macatawa Bank Corporation pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certificate of the Co-Chief Executive Officers and the Chief Financial Officer of Macatawa Bank Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, to be signed on its behalf by the undersigned, thereunto duly authorized.

MACATAWA BANK CORPORATION

/s/ Philip J. Koning

Philip J. Koning
Co-Chief Executive Officer
(Principal Executive Officer)

/s/ Ronald L. Haan

Ronald L. Haan
Co-Chief Executive Officer
(Principal Executive Officer)

/s/ Jon W. Swets

Jon W. Swets
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: May 7, 2009

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
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32.1	Certificate of the Co-Chief Executive Officers and the Chief Financial Officer of Macatawa Bank Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

April 30, 2009

Mr. William K. Holmes
Warner, Norcross & Judd, LLP
900 Fifth Third Center
111 Lyon Street, N.W.
Grand Rapids, MI 49503

Dear Bill:

This letter agreement, when fully executed by the parties and approved by Federal Insurance Company and Progressive Casualty Insurance Company, shall constitute the second amendment to the Settlement and Release Agreement and Stock and Warrant Issuance Agreement executed as of November 12, 2008, and as amended by the First Amended Settlement and Release Agreement and Stock and Warrant Issuance Agreement executed as of January 30, 2009 (collectively, the "Agreement").

The Agreement is hereby amended as follows:

1. The title of the Agreement is changed to "Second Amended Settlement and Release and Stock and Warrant Issuance Agreement."
 2. In the definition of "Final Settlement Date," the date "April 30, 2009," is deleted and is replaced with the date "May 20, 2009."
 3. In the "Definitions" section, the term "Second Settlement Hearing" is deleted and is replaced with the term "Third Settlement Hearing." All references in the definition of that term to "second" are deleted and are replaced with "third." The date of "February 27, 2009," is deleted and is replaced with the date "May 13, 2009."
 4. In the "Definitions" section, the term "Second Settlement Hearing Order" is deleted and is replaced with the term "Third Settlement Hearing Order."
 5. In Section 1.b, the date of "February 27, 2009," is deleted and is replaced with the date "May 13, 2009." All references in Section 1.b to "Second Settlement Hearing" are deleted and are replaced with the term "Third Settlement Hearing."
 6. In Section 1.c, all references to the date "April 30, 2009," are deleted and are replaced with the date "May 20, 2009."
 7. In Section 1.d, the date "April 30, 2009," is deleted and is replaced with the date "May 20, 2009."
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8. Exhibits E and F are deleted and are replaced with the new Exhibits E and F attached hereto.

9. Exhibit L is deleted and is replaced with the new Exhibit L attached hereto.

Except as set forth above, the Agreement shall remain unchanged and in full force and effect according to its terms.

If this letter agreement accurately reflects the new agreement of the parties, please have it executed by your clients and by Mr. Deardorff and return an executed copy to me for my files. Thank you.

Very truly yours,

/s/ Thomas M. Farrell

Thomas M. Farrell

TMF:psf

ACKNOWLEDGED AND AGREED:

/s/ Richard Deardorff

Richard Deardorff

/s/ Jon W. Swets, Chief Financial Officer

Macatawa Bank

/s/ Jon W. Swets, Chief Financial Officer

Macatawa Bank Corporation

WARRANT AGREEMENT

THIS WARRANT AGREEMENT (this "Agreement") is entered into as of the _____ day of _____, 2009, by and between **MACATAWA BANK CORPORATION**, a Michigan corporation (the "Company"), and **REGISTRAR AND TRANSFER COMPANY**, a New Jersey corporation (the "Warrant Agent").

RECITALS

- A. The Company is a defendant in a lawsuit pending in the United States District Court for the Western District of Michigan (the "District Court"), entitled *In re Trade Partners, Inc. Investor Litigation*, Case No. 1:07-MD-1846-RHB (the "Federal Litigation").
- B. The Company is a defendant in a lawsuit pending in the Kent County Circuit Court in Grand Rapids, Michigan (the "Circuit Court"), entitled *Giese et al v. Macatawa Bank Corp et al*, Case No. 06-11707-CZ (the "State Litigation").
- C. The parties to the Federal Litigation and the State Litigation have settled the dispute and entered into that certain Amended and Restated Settlement and Release and Stock and Warrant Issuance Agreement, dated January 30, 2009 (the "Settlement Agreement").
- D. As part of the transactions to be consummated pursuant to the Settlement Agreement, the Company has issued warrants for the purchase of One Million Five Hundred Thousand (1,500,000) shares of common stock, no par value, of the Company (each, a "Warrant").
- E. The Company wishes the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing to so act, in connection with the issuance, division, transfer, exchange and exercise of the Warrants.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises and covenants contained in this Agreement and for other good and valuable consideration, the receipt and adequacy of which hereby are acknowledged, the parties agree as follows:

1. DEFINITIONS

- 1.1 "Business Day" shall mean a day other than (a) a Saturday or Sunday, (b) any day on which banking institutions located in Holland, Michigan are required or authorized by law or by local proclamation to close or (c) any day on which the Nasdaq Stock Market is closed.
- 1.2 "Common Stock" shall mean the shares of the Company's common stock, no par value.

1.3 “Commercially Reasonable Best Efforts,” when used with respect to any obligation to be performed or term or provision to be complied with under this Agreement, shall mean such efforts as a prudent Person seeking the benefits of such performance or compliance would make, use, apply or exercise to preserve, protect or advance its rights or interests. Such efforts do not require the Person whose performance or compliance is required under this Agreement to incur a material financial cost or a substantial risk of material liability unless such cost or liability (i) is specifically contained in this Agreement or the Settlement Agreement, (ii) would customarily be incurred in the course of performance of or compliance with the relevant obligation, term or provision, (iii) is caused by or results from the wrongful act or negligence of the Person whose performance or compliance is required hereunder, or (iv) is not excessive or unreasonable in view of the rights or interests to be preserved, protected or advanced.

1.4 “Effective Date” means the first date on which the Company’s Registration Statement is declared effective by the SEC.

1.5 “Exercise Period” shall mean the period commencing on the later of (a) the date that is 366 days after the Warrants are issued to the initial Holders and (b) the Effective Date and ending at 5:00 p.m., Holland, Michigan time, on the fifth (5th) anniversary of the later of (a) or (b), as such period may be extended pursuant to the terms hereof.

1.6 “Exercise Price” shall mean the purchase price for each Warrant Share and shall be Nine Dollars (\$9.00) per share, as adjusted from time to time pursuant to Sections 8.1 and 8.2 hereof.

1.7 “Holders” are the registered owners of the Warrants.

1.8 “Market” shall mean the Nasdaq Stock Market. If the Common Stock is no longer authorized for quotation on the Nasdaq Stock Market, the Market shall be the principal national securities exchange or quotation system on which the Common Stock is quoted or listed or admitted to trading or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the over-the-counter market.

1.9 “Material Information” is material nonpublic information concerning the Company, its subsidiaries, or its or their current or prospective business, financial condition, results of operations or prospects.

1.10 “Person” shall mean a natural person, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company, limited liability partnership, government or any agency or political subdivision thereof or any other entity or organization.

1.11 “Qualifying Prospectus” shall mean a prospectus contained in a Registration Statement that satisfies all legal requirements.

1.12 "Registration Statement" shall mean a registration statement relating to the issuance by the Company of the Warrant Shares to the Holders upon exercise of the Warrants pursuant hereto.

1.13 "SEC" shall mean the United States Securities and Exchange Commission, or any successor governmental agency or authority thereto.

1.14 "Securities Act" shall mean the Securities Act of 1933, as amended.

1.15 "Trading Price," as of any date, shall mean the dollar weighted average trading price per share for all round lot transactions in the Common Stock on the Market for the twenty (20) trading days ending two (2) days prior to that date.

1.16 "Warrant Shares" are the shares of Common Stock or other securities deliverable upon exercise of a Warrant.

2. FORM OF WARRANT; EXECUTION; REGISTRATION

2.1 Form of Warrant; Execution of Warrants. The certificates evidencing the Warrants (the "Warrant Certificates") shall be in the form attached to this Agreement. The Warrant Certificates shall be signed on behalf of the Company by its Chief Executive Officer, Chief Financial Officer, President or one of its Vice Presidents. The signature of any such officer on the Warrant Certificates may be manual or by facsimile. Each Warrant Certificate shall be dated the date it is countersigned by the Warrant Agent pursuant to Section 2.3.

2.2 Registration. The Warrant Certificates shall be numbered and shall be registered on the books of the Company maintained at the principal office of the Warrant Agent initially in Cranford, New Jersey (or such other place in the continental United States as the Warrant Agent shall from time to time notify the Company and the Holders in writing) (the "Warrant Register") as they are issued. The Company and the Warrant Agent shall be entitled to treat the registered owner of any Warrant as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Warrant on the part of any other person.

2.3 Countersignature of Warrants. The Warrant Certificates shall be countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. Warrant Certificates may be countersigned, however, by the Warrant Agent and may be delivered by the Warrant Agent notwithstanding that the persons whose manual or facsimile signatures appear thereon as proper officers of the Company shall have ceased to be such officers at the time of such countersignature, issuance or delivery. The Warrant Agent shall, upon written instructions of the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary of the Company, countersign, issue and deliver Warrant Certificates entitling the Holders thereof to purchase not more than an aggregate of One Million Five Hundred Thousand (1,500,000) Warrant Shares (subject to adjustment pursuant to Section 8) and shall countersign, issue and deliver Warrant Certificates as otherwise provided in this Agreement.

3. TRANSFER AND EXCHANGE OF WARRANTS

3.1 **Transfer and Exchange.** Subject to the terms of this Agreement, the Warrant Agent shall initially countersign, register in the Warrant Register, and deliver Warrants in accordance with the written instructions of the Company. Subject to the terms of this Agreement and the receipt of such documentation as the Warrant Agent may reasonably require, the Warrant Agent shall thereafter from time to time register the transfer of any outstanding Warrants upon the Warrant Register upon surrender of the Warrant Certificate or Certificates evidencing such Warrants duly endorsed or accompanied (if so required by it) by a written instrument or instruments of transfer in form reasonably satisfactory to the Warrant Agent (which may be in the form attached to this Agreement), duly executed by the registered Holder or Holders thereof, by the duly appointed legal representative of the Holders, or by a duly authorized attorney. Subject to the terms of this Agreement, each Warrant Certificate may be exchanged for another Warrant Certificate or Certificates entitling the Holder to purchase a like aggregate number of Warrant Shares as the Warrant Certificate or Certificates surrendered then entitles such Holder to purchase. Any Holder desiring to exchange a Warrant Certificate or Certificates shall make such request in writing delivered to the Warrant Agent, and shall surrender, duly endorsed or accompanied (if so required by the Warrant Agent) by a written instrument or instruments in form reasonably satisfactory to the Warrant Agent, the Warrant Certificate or Certificates to be so exchanged. Upon registration of transfer or exchange, the Company shall issue and the Warrant Agent shall countersign and deliver by certified mail a new Warrant Certificate or Certificates to the persons entitled thereto.

3.2 **No Service Charges.** No service charge shall be made for any exchange or registration of transfer of a Warrant Certificate or of Warrant Certificates, but the Company may require payment of a sum sufficient to cover any stamp tax or other tax or other governmental charge that is imposed in connection with any such exchange or registration of transfer pursuant to Section 5.

3.3 **Acceptance of Terms.** By accepting the initial delivery, transfer or exchange of Warrants, each Holder shall be deemed to agree to the terms of this Agreement as it may be in effect from time to time, including any amendments or supplements duly adopted in accordance with Section 12.3. A copy of this Agreement may be obtained by a Holder without cost upon written request to the Company at its principal office or to the Warrant Agent.

4. TERM OF WARRANTS: EXERCISE OF WARRANTS: REGISTRATION OF WARRANT SHARES

4.1 **Term of Warrants.** Subject to the terms of this Agreement, each Holder shall have the right, which may be exercised on any Business Day during the Exercise Period, to receive from the Company the number of Warrant Shares which the Holder may at the time be entitled to purchase upon exercise of such Warrants and payment of the Exercise Price then in effect for such Warrant Shares. The Warrant Shares issued to a Holder upon exercise of its Warrants shall be duly authorized, validly issued, fully paid and non-assessable and shall not have been issued in violation of or subject to any preemptive rights. Each Warrant not exercised prior to the expiration of the Exercise Period shall become void, and all rights under such Warrant and under this Agreement shall cease as of the expiration of the Exercise Period, provided, however, that if the Exercise Period ends during a suspension pursuant to Section 4.3, the Exercise Period shall be extended for an additional period of time equal to the longer of the period of such suspension during the Exercise Period and twenty (20) Business Days after the date on which the Warrant Agent sends notice to the Holders of the expiration of such suspension period.

4.2 Exercise of Warrants.

(a) During the Exercise Period, except as such may be suspended from time to time as set forth in Section 4.3, each Holder may exercise from time to time some or all of the Warrants evidenced by its Warrant Certificate(s) by: (i) surrendering to the Company at the principal office of the Warrant Agent such Warrant Certificate(s) with written notice (in the form attached to this Agreement) duly completed and signed, which signature shall be guaranteed by an eligible guarantor institution (a bank, savings and loan association or credit union with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended, and (ii) paying to the Warrant Agent for the account of the Company the aggregate Exercise Price for the number of Warrant Shares in respect of which such Warrants are exercised. Warrants shall be deemed exercised on the date such Warrant Certificate(s) are surrendered to the Warrant Agent and tender of payment of the aggregate Exercise Price is made. Payment of the aggregate Exercise Price shall be made (1) by wire transfer of immediately available funds to the Warrant Agent for the account of the Company, (2) by certified or official bank check or checks payable to the order of the Company (any such payments under subsections (1) or (2) shall be made in lawful money of the United States of America), or (3) by surrender to the Warrant Agent of the right to receive a number of Warrant Shares, calculated to the nearest one one-hundredth of a share, pursuant to the formula below. In the event that a Holder elects to make payment of the aggregate Exercise Price by surrender of the right to receive Warrant Shares as provided in subsection (3) of the preceding sentence, the number of Warrant Shares issuable to such Holder shall be calculated as follows:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of Warrant Shares to be issued to such Holder upon exercise (subject to Section 9);

Y = the total number of Warrant Shares purchasable pursuant to the Warrant being exercised (or, if such Warrant is being exercised only in part, the number of Warrant Shares for which it is being exercised);

A = the Trading Price of a share of Common Stock determined as of the date of exercise; and

B = the then-current Exercise Price.

(b) In the event that less than all of the Warrants evidenced by a Warrant Certificate are exercised, the Holder thereof shall be entitled to receive a new Warrant Certificate or Certificates as specified by such Holder evidencing the remaining Warrant or Warrants, and the Warrant Agent is hereby irrevocably authorized by the Company to countersign, issue and deliver the required new Warrant Certificate or Certificates evidencing such remaining Warrant or Warrants pursuant to Section 4.2 and Section 3 of this Agreement. The Company, whenever requested by the Warrant Agent, will supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purpose.

(c) Upon the exercise of any Warrants in accordance with this Agreement, the Company shall cause the Warrant Agent, on the Company's behalf, to issue and deliver with all reasonable dispatch, to or upon the written order of the Holder and in such name or names as the Holder may designate, a certificate or certificates for the number of full Warrant Shares issuable upon the exercise of such Warrants and shall take or cause the Warrant Agent to take such other actions as are necessary to complete the exercise of the Warrants (including, without limitation, payment of any cash with respect to fractional interests required under Section 9). The certificate or certificates representing such Warrant Shares shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date the Warrants are exercised.

(d) Upon delivery of the Warrant Shares issuable upon exercise of a Warrant in accordance herewith and of any required new Warrant Certificates, the Company shall direct the Warrant Agent by written order to cancel the Warrant Certificates surrendered upon exercise. Such canceled Warrant Certificates shall then be disposed of by the Warrant Agent in a manner permitted by applicable laws and satisfactory to the Company in accordance with its written instructions to the Warrant Agent. The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay to the Company all amounts received by the Warrant Agent upon exercise of such Warrants.

(e) The Warrant Agent shall keep copies of this Agreement and any notices given or received pursuant to this Agreement available for inspection by the Holders during normal business hours at its office. The Company shall, at its sole expense, supply the Warrant Agent from time to time with such numbers of copies of this Agreement as the Warrant Agent may reasonably request.

4.3 Registration of Warrant Shares; Suspension of Exercise Period.

(a) The Company shall use its Commercially Reasonable Best Efforts to (i) file under the Securities Act, within two hundred seventy (270) days of the date hereof, the Registration Statement, (ii) cause such Registration Statement to be declared effective by the SEC within three hundred sixty six (366) days of the date hereof and (iii) keep such Registration Statement effective at all times during the Exercise Period, and will make such number of Qualifying Prospectuses available to Holders as they shall reasonably request. No shares of Common Stock shall be issued, and the right to exercise all Warrants shall be suspended, for all periods during which there is not an effective Registration Statement and/or there is not a Qualifying Prospectus available to Holders. The Company shall promptly notify the Warrant Agent of any such suspension, and the Warrant Agent shall have no duty, responsibility or liability in respect of any shares of Common Stock issued or delivered prior to its receipt of such notice. The Company shall promptly notify the Warrant Agent of the termination of any such suspension, and the Company shall cause the Warrant Agent to notify the Holders of the termination of such suspension promptly following notice to the Warrant Agent by the Company. Should the ability of the Holders to exercise the Warrants be suspended for more than an aggregate of sixty (60) days in any three hundred sixty five (365) day period pursuant to this Section 4.3(a), the Exercise Period shall be extended by the aggregate number of days in such suspension period(s) in excess of sixty (60) days. The Company represents and warrants that the issuance of the Warrants is exempt from registration pursuant to Section 3(a) (10) of the Securities Act.

(b) Notwithstanding the foregoing, the Company shall have the right, exercisable by giving written notice of the exercise of such right to the Warrant Agent, at any time and from time to time, to suspend the Exercise Period or delay filing for a period not in excess of 60 calendar days during any consecutive three hundred sixty-five (365) day period beginning on the date on which such notice is given, or such shorter period of time as may be specified in such notice or in a subsequent notice delivered by the Company to such effect, if (i) the Company is, in its good faith judgment, in possession of Material Information, (ii) such Material Information would, in the judgment of the Company's board of directors (after consultation with counsel), need to be disclosed so as to permit the Warrant Shares to be sold in compliance with law, and (iii) disclosure of such Material Information would, in the good faith judgment of the Company (after consultation with counsel), be adverse to its interests. Should the ability of the Holders to exercise the Warrants be suspended for more than an aggregate of sixty (60) days in any three hundred sixty five (365) day period pursuant to this Section 4.3(b), the Exercise Period shall be extended by the aggregate number of days in such suspension period(s) in excess of sixty (60) days.

5. PAYMENT OF TAXES

The Company will pay all documentary stamp and other like taxes, if any, attributable to the initial issuance and delivery of the Warrants and the initial issuance and delivery of the Warrant Shares upon the exercise of Warrants. However, the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer of the Warrants or involved in the issuance or delivery of any Warrant Shares in a name other than that of the Holder of the Warrants being exercised, and the Warrant Agent shall not register any such transfer or issue or deliver any Warrant Certificate(s) or Warrant Shares unless or until the persons requesting the registration or issuance shall have (i) paid to the Warrant Agent for the account of the Company the amount of such tax, if any, (ii) established to the reasonable satisfaction of the Company that such tax, if any, has been paid, or (iii) delivered to the Company an opinion of legal counsel that no such tax is due.

6. LOST OR STOLEN WARRANT CERTIFICATES

In the event that any Warrant Certificate shall be mutilated, lost, stolen or destroyed, the Company shall issue, and the Warrant Agent shall countersign and deliver, a replacement Warrant Certificate representing an equivalent right or interest. The Holder must submit evidence reasonably satisfactory to the Company and the Warrant Agent of such loss, theft or destruction of such Warrant Certificate and an indemnity or bond, if requested by the Company or the Warrant Agent, also reasonably satisfactory to them. An applicant for such a substitute Warrant Certificate shall also comply with such other reasonable procedures as the Company or the Warrant Agent may reasonably require. The Company and Warrant Agent may charge the Holder for their expenses in replacing a Warrant Certificate.

7. RESERVATION OF WARRANT SHARES

7.1 Reservation of Common Stock. The Company shall at all times keep reserved out of its authorized Common Stock, free of all preemptive rights, a number of shares of Common Stock sufficient to provide for the exercise of the rights of purchase represented by the outstanding Warrants. The transfer agent for the Common Stock and every subsequent or other transfer agent for any shares of the Company's capital stock issuable upon the exercise of the Warrants (each, a "Transfer Agent") will be and are hereby irrevocably authorized and directed at all times to reserve such number of authorized shares of Common Stock as shall be required for such purpose. The Company will keep a copy of this Agreement on file with each Transfer Agent. The Company will supply its Transfer Agent with duly executed stock certificates for such purposes and will itself provide or otherwise make available any cash which may be payable as provided in Section 9. The Company will furnish to its Transfer Agent a copy of all notices of adjustments, and certificates related thereto, transmitted to each Holder. The Company will give the Warrant Agent prompt notice of any change in any Transfer Agent or any change of address of any Transfer Agent.

7.2 Corporate Actions. Before taking any action which would cause an adjustment pursuant to Section 8 reducing the Exercise Price, the Company will take any and all corporate action which may be necessary in order that the Company may validly and legally issue fully paid and non-assessable Warrant Shares at the Exercise Price as so adjusted.

8. ADJUSTMENT OF WARRANT SHARES AND EXERCISE PRICE

8.1 Adjustments. The Warrant Shares purchasable upon the exercise of each Warrant and the Exercise Price shall be subject to adjustment as follows:

(a) Adjustment for Change in Capital Stock. Subject to Section 8.1(b), in case the Company shall (i) pay a dividend on its outstanding shares of Common Stock in shares of Common Stock or make a distribution of shares of Common Stock on its outstanding shares of Common Stock, (ii) make a distribution on its outstanding shares of Common Stock in shares of its capital stock other than Common Stock, (iii) subdivide its outstanding shares of Common Stock into a greater number of shares of Common Stock, (iv) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (v) issue, by reclassification of its shares of Common Stock, other securities of the Company (including any such reclassification in connection with a consolidation or merger in which the Company is the surviving entity) (each, an "Adjustment Event"), then the number of Warrant Shares purchasable upon exercise of each Warrant immediately prior to the Adjustment Event shall be adjusted so that the Holder of each Warrant shall be entitled to receive the kind and number of Warrant Shares or other securities of the Company which such Holder would have owned or have been entitled to receive upon the happening of the Adjustment Event had such Warrant been exercised in full immediately prior to the happening of such Adjustment Event or any record date with respect to such Adjustment Event. If a Holder is entitled to receive shares of two or more classes of capital stock of the Company pursuant to the foregoing sentence upon exercise of Warrants, the allocation of the adjusted Exercise Price between such classes of capital stock shall be determined reasonably and in good faith by the Board of Directors of the Company. After such allocation, the exercise privilege and the Exercise Price with respect to each class of capital stock shall thereafter be subject to adjustment on terms substantially identical to those applicable to Common Stock in this Section 8. An adjustment made pursuant to this Section 8.1(a) shall become effective immediately after the record date for such Adjustment Event or, if none, immediately after the effective date of such Adjustment Event. Such adjustment shall be made successively whenever an Adjustment Event occurs.

(b) Minimum Adjustment. No adjustment in the number of Warrant Shares purchasable by a Holder pursuant to Section 8.1(a) shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of Warrant Shares purchasable upon the exercise of each Warrant. The amount by which any adjustment is not made by reason of this subsection shall be carried forward and taken into account in any subsequent adjustment. All calculations shall be made to the nearest one-hundredth of a Warrant Share.

(c) Adjustment in Exercise Price. Whenever the number of Warrant Shares purchasable upon the exercise of each Warrant is adjusted pursuant to Section 8.1(a), the Exercise Price payable for each Warrant Share immediately prior to such adjustment shall be adjusted (to the nearest cent) by multiplying such Exercise Price by a fraction, the numerator of which shall be the number of Warrant Shares purchasable upon the exercise of each Warrant immediately prior to the Adjustment Event and the denominator of which shall be the number of Warrant Shares purchasable immediately after the Adjustment Event.

8.2 Notice of Adjustment. Whenever the number of Warrant Shares purchasable upon the exercise of each Warrant or the Exercise Price of Warrant Shares is adjusted, the Company shall cause the Warrant Agent promptly to mail to each Holder, at the sole expense of the Company, by first class mail, postage prepaid, notice of such adjustment or adjustments and shall deliver to the Warrant Agent a certificate of an officer of the Company setting forth: (a) the number of Warrant Shares purchasable upon the exercise of each Warrant and the Exercise Price for each Warrant Share after such adjustment, (b) a brief statement of the facts requiring such adjustment, and (c) the computations by which such adjustment was made. The Warrant Agent shall be entitled to rely on such certificate and shall be under no duty or responsibility with respect to any such certificate, except to exhibit the same, from time to time, to any Holder requesting an inspection of such certificate during reasonable business hours.

8.3 Merger or Consolidation.

(a) In case of any consolidation or merger of the Company into another entity, or any sale of all or substantially all assets of the Company (collectively, a "Reorganization"), the Company or such successor entity shall on or before the date of consummation of the Reorganization (the "Closing Date"), at its option, either:

(i) deliver to the Warrant Agent a notice of redemption (the "Redemption Notice"), which shall be binding on the Company and on all Holders, and redeem all Warrants by payment, in cash, to each Holder of an amount equal to the excess, if any, of (A) the value of the consideration that each such Holder would have been entitled to receive upon the consummation of the Reorganization had such Holder exercised all of such Holder's Warrant(s) immediately prior to such Reorganization, over (B) the aggregate Exercise Price that would have been payable by each such Holder upon any such exercise immediately prior to such Reorganization, such payments to be made within ten (10) Business Days of the Closing Date; or

(ii) execute and deliver to the Warrant Agent an agreement, which shall be binding on the Holders, that each Holder shall have the right thereafter upon payment of the Exercise Price in effect immediately prior to such action (after giving effect to any applicable adjustments) to purchase upon exercise of each Warrant the kind and amount of shares and other securities and property (including cash) which such Holder would have owned or have been entitled to receive upon the consummation of the Reorganization had such Warrant been exercised immediately prior to such Reorganization. The Company shall at its sole expense mail, by first class mail, postage prepaid, to each Holder notice of the execution of any such agreement. Such agreement shall provide for adjustments, which shall be substantially identical to the adjustments provided for in this Section 8.

(b) In the event the Company delivers a Redemption Notice, any right to exercise a Warrant shall terminate at 5:00 p.m., Holland, Michigan time, on the Closing Date. On and after the Closing Date, the Holders of the Warrants shall have no further rights except to receive, upon surrender of the Warrant, the Redemption Price, without interest.

(c) The Company shall not merge or consolidate with or into any other entity, unless the successor entity (if not the Company) shall expressly assume, by supplemental agreement reasonably satisfactory in form and substance to the Warrant Agent in its sole judgment and executed and delivered to the Warrant Agent, the performance and observance of each and every covenant and condition of this Agreement to be performed and observed by the Company. The provisions of this Section 8.3 shall similarly apply to successive consolidations or mergers.

8.4 Other Events. If any event occurs of the type contemplated by the provisions of this Section 8 but not expressly provided for by such provisions, then the Company's Board of Directors will in good faith make an appropriate adjustment in the Exercise Price and the number or type of Warrant Shares so as to protect the rights of the Holders.

8.5 Statement on Warrants. Irrespective of any adjustments in the Exercise Price or the number or kind of securities purchasable upon the exercise of the Warrants, Warrants previously issued may continue to express the same Exercise Price and number and kind of Warrant Shares as are stated in the Warrants when initially issued.

8.6 No Impairment. The Company shall not, for the purpose of avoiding or seeking to avoid the observance or performance of any of the terms and provisions of this Agreement, amend its Articles of Incorporation or engage in any reclassification, reorganization, consolidation, merger, dissolution, liquidation, issue, sale or exchange of securities or any other voluntary action.

9. FRACTIONAL INTERESTS

Neither the Company nor the Warrant Agent shall be required to issue fractional Warrant Shares on the exercise of Warrants. If more than one Warrant shall be exercised at the same time by the same Holder, the number of full Warrant Shares which shall be issuable upon such exercise shall be computed on the basis of the aggregate number of Warrants so exercised. If any fraction of a Warrant Share would, except for the provisions of this Section 9, be issuable on the exercise of any Warrant, the Company shall pay an amount in cash equal to the Trading Price for one share of Common Stock on the date the Warrant Certificate is presented for exercise, multiplied by such fraction.

10. NO RIGHTS AS STOCKHOLDERS

10.1 No Rights. Nothing contained in this Agreement or in any of the Warrants shall be construed as conferring upon the Holders or their transferees the right to vote, to receive dividends, to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the Company or any other matter, or to receive any rights whatsoever as stockholders of the Company.

10.2 Notice of Certain Events. In the event the Company shall:

- (a) authorize the issuance to all holders of shares of Common Stock of rights, options or warrants to subscribe for or purchase shares of Common Stock or any other subscription rights, options or warrants;
- (b) authorize the distribution to all holders of shares of Common Stock of securities or assets (other than cash dividends);
- (c) effect any Reorganization, any reclassification or change of Common Stock issuable upon exercise of the Warrants (other than a change in par value or as a result of a subdivision or combination of outstanding shares of Common Stock), or a tender offer or exchange offer for shares of Common Stock; or
- (d) effect a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed with the Warrant Agent and shall cause to be given to each Holder at its address appearing on the Warrant Register, at least twenty (20) calendar days prior to the applicable record date hereinafter specified, or promptly in the case of events for which there is no record date, by first class mail, postage prepaid, a written notice stating (x) the date as of which the Holders of record of shares of Common Stock entitled to receive any such rights, options, warrants or distribution are to be determined, (y) the initial expiration date set forth in any tender offer or exchange offer for shares of Common Stock, or (z) the date on which any such reclassification, Reorganization, dissolution, liquidation or winding up is expected to become effective or consummated, as well as the date as of which it is expected that Holders of record of shares of Common Stock shall be entitled to exchange such shares for securities or other property, if any, deliverable upon such reclassification, Reorganization, dissolution, liquidation, or winding up. The failure to give the notice required by this Section 10.2 or any defect therein shall not affect the legality or validity of any distribution, right, option, warrant, reclassification, Reorganization, dissolution, liquidation, winding up or action, or the vote upon any of the foregoing.

11. WARRANT AGENT

11.1 Appointment. The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the terms and conditions of this Agreement, and the Warrant Agent hereby accepts such appointment. The Warrant Agent undertakes the duties and obligations imposed by this Agreement upon the terms and conditions set forth in this Agreement.

11.2 Rights and Duties of Warrant Agent.

- (a) Agent for the Company. In acting under this Agreement and in connection with the Warrant Certificates, the Warrant Agent is acting solely as agent of the Company and does not assume any obligation or relationship or agency or trust for or with any of the Holders or beneficial owners of Warrants.
- (b) Counsel. The Warrant Agent may consult with counsel satisfactory to it (who may be counsel to the Company), and the Warrant Agent shall incur no liability or responsibility to the Company or to any Holder in respect of any action taken, suffered or omitted by it in good faith and in accordance with the opinion or the advice of such counsel.
- (c) Documents. The Warrant Agent shall incur no liability for or in respect of any action taken, suffered or omitted by it in reliance upon any Warrant Certificate, notice, direction, consent, certificate, affidavit, statement or other paper or document reasonably believed by it to be genuine and to have been presented or signed by the proper parties.
- (d) No Implied Obligations. The Warrant Agent shall be obligated to perform only such duties as are specifically set forth in this Agreement and in the Warrant Certificates, and no implied duties or obligations of the Warrant Agent shall be read into this Agreement or the Warrant Certificates against the Warrant Agent. The Warrant Agent shall have no duty or responsibility in case of any default by the Company in the performance of its covenants or agreements contained in this Agreement or in the Warrant Certificates.
- (e) Not Responsible for Adjustments or Validity of Stock. The Warrant Agent shall not at any time be under any duty or responsibility to any Holder to conduct any review or investigation to determine whether any facts exist that may require an adjustment of the number of Warrant Shares or other property issuable upon exercise of each Warrant or the Exercise Price, with respect to the nature or extent of any adjustment when made, or with respect to the method employed in making such adjustment. The Warrant Agent shall not be accountable with respect to the validity or value of any shares of Common Stock or of any securities or property which may at any time be issued or delivered upon the exercise of any Warrant or upon any adjustment. The Warrant Agent shall not be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or stock certificates upon the surrender of any Warrant Certificate for the purpose of exercise or upon any adjustment.

11.3 Other Transactions in Securities of the Company. The Warrant Agent and any stockholder, director, officer or employee of the Warrant Agent may buy, sell or deal in any of the Warrants or any other securities of the Company, acquire a pecuniary interest in any transaction in which the Company may be interested, contract with or lend money to the Company and otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other Person.

11.4 Compensation and Indemnity. The Company agrees that the Warrant Agent is entitled, from time to time, to reasonable compensation for its services as mutually agreed and to reimbursement for all reasonable out-of-pocket expenses incurred by it, including the reasonable compensation and expenses of the Warrant Agent's agents and counsel. The Company shall indemnify the Warrant Agent against any loss, liability or expense, including reasonable attorneys' fees, incurred by it without negligence, willful misconduct, or bad faith on its part arising out of or in connection with the acceptance or performance of its duties under this Agreement. The Warrant Agent shall notify the Company promptly of any claim for which it may seek indemnity. The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Warrant Agent through willful misconduct, negligence or bad faith. The Company's payment obligations pursuant to this Section 11.4 shall survive the termination of this Agreement.

11.5 Instructions from Company. The Warrant Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties from the Chairman of the Board, the President, a Vice President, the Treasurer or the Secretary of the Company, and to request from such officers advice or instructions in connection with its duties. The Warrant Agent shall not be liable for any action taken, suffered or omitted by it in good faith in accordance with instructions of any such officer or officers, provided such instructions are not in contravention of this Agreement.

11.6 Successor Warrant Agent.

(a) Resignation and Removal. Upon sixty (60) days' prior written notice, the Warrant Agent may resign at any time, and such notice shall specify the date on which the resignation shall become effective. The Warrant Agent may be removed at any time by the Company upon sixty (60) days' prior written notice, which notice shall specify the date on which the removal shall become effective. Notwithstanding the foregoing, no resignation or removal shall take effect until the appointment by the Company of a successor Warrant Agent and the acceptance of such appointment by such successor Warrant Agent.

(b) Appointment of Successor. In the event that the Warrant Agent shall resign or be removed, shall become insolvent, shall consent to the appointment of or taking possession by a receiver, custodian, liquidator, assignee, trustee, sequestrator (or other similar official) of the Warrant Agent or its property or affairs, shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, a successor Warrant Agent shall be appointed by the Company. Any successor Warrant Agent shall be a bank or trust company, in good standing, incorporated under the laws of the United States of America or any state thereof, and having at the time of its appointment as Warrant Agent a combined capital and surplus of at least \$100,000,000.

(c) Successor To Expressly Assume Duties. Any successor Warrant Agent shall execute, acknowledge and deliver to its predecessor and to the Company an instrument accepting such appointment, and upon the delivery of such instrument, the successor Warrant Agent, without any further act, deed or conveyance, shall become vested with all the rights and obligations of such predecessor with like effect as if originally named as Warrant Agent under this Agreement, and the predecessor Warrant Agent, upon payment of its charges and disbursements then unpaid, shall become obligated to transfer, deliver and pay over all monies, securities and other property on deposit with or held by such predecessor as Warrant Agent. Upon the appointment of a successor Warrant Agent, the successor Warrant Agent shall mail, by first class mail, postage prepaid, to each Holder, written notice of such removal or resignation of the predecessor Warrant Agent and the name and address of the successor Warrant Agent.

(d) Successor by Merger. Any corporation or entity into which the Warrant Agent may be merged or consolidated, any corporation or entity resulting from any merger or consolidation to which the Warrant Agent shall be a party, or any corporation to which the Warrant Agent shall sell or otherwise transfer all or substantially all of its assets and business shall be the successor Warrant Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties to this Agreement, provided that the successor Warrant Agent is eligible for appointment as a successor Warrant Agent under the provisions of this Section 11.6. If at the time a successor Warrant Agent is appointed any of the Warrant Certificates shall have been countersigned but not delivered, any such successor Warrant Agent may adopt the countersignature of the original Warrant Agent and deliver such Warrant Certificates so countersigned, and all such Warrant Certificates shall be fully valid and effective as provided in this Agreement.

(e) Name Change. If the name of the Warrant Agent shall be changed and at such time any of the Warrant Certificates shall have been countersigned but not delivered, the Warrant Agent may adopt the countersignatures under its prior name and deliver such Warrant Certificates so countersigned, and all such Warrant Certificates shall be fully valid and effective as provided in this Agreement.

12. MISCELLANEOUS

12.1 Notices.

(a) Any notice pursuant to this Agreement shall be in writing addressed to the relevant address set forth below or such other relevant address as may be specified in writing by the relevant party. A notice shall be deemed properly made: (i) upon personal delivery, (ii) five (5) days after deposit in the mail, postage prepaid, first class mail, or (iii) one (1) day after deposit with a recognized overnight courier, postage prepaid.

If to the Company:

Macatawa Bank Corporation
10753 Macatawa Drive
Holland, Michigan 49424
Attn: Chief Financial Officer
Facsimile: (616) 494-7644

If to the Warrant Agent:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
Attn: Daniel Flynn
Facsimile: (908) 497-2310

(b) Any notice pursuant to this Agreement by the Company or the Warrant Agent to the Holders shall be in writing and shall be delivered to such Holders at their respective addresses in the Warrant Register. The address of each Holder shall be as provided in the Warrant Register. Any Holder may change its address by notice to the Company and the Warrant Agent given in accordance with this Section 12.1. Failure to provide notice to a Holder or any defect in such notice shall not affect its sufficiency with respect to other Holders. If a notice is mailed in the manner provided by this Section 12, it is duly given, whether or not the addressee receives it.

12.2 Cancellation of Warrants. In the event the Company shall purchase or otherwise acquire Warrants, such Warrants shall be delivered to the Warrant Agent and be cancelled by it and retired. The Warrant Agent shall cancel any Warrant Certificate surrendered for exchange, substitution, transfer or exercise in whole or in part.

12.3 Supplements and Amendments. The Company and the Warrant Agent may from time to time supplement or amend this Agreement, the Warrants and the Warrant Certificates without approval of any Holder, in order to: (a) cure any ambiguity or correct or supplement any provision contained in the Agreement, the Warrants and the Warrant Certificates that may be defective or inconsistent with any other provision in such documents, (b) comply with the requirements of any national securities exchange or the Market, or (c) make any other changes to this Agreement, the Warrants and the Warrant Certificates that (i) the Company and the Warrant Agent may deem necessary or desirable, (ii) shall not be inconsistent with the provisions of this Agreement, the Warrants and the Warrant Certificates, and (iii) shall not adversely affect the rights of any Holder. Any other supplement or amendment to this Agreement, the Warrants and the Warrant Certificates may be made with the approval of the Holders of a majority of the then outstanding Warrants, provided, however, that no such supplement or amendment shall, without the written consent of each Holder affected thereby, (w) shorten the Exercise Period for any Warrant, (x) increase the Exercise Price payable pursuant to any Warrant, (y) modify the provisions of this Section 12.3 or (z) increase the obligations of any Holder or otherwise disproportionately adversely affect the rights of any Holder. The Company shall give or cause the Warrant Agent to give prompt notice to all Holders of any supplement or amendment pursuant to this Section 12.3.

12.4 Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of the Company or the Warrant Agent and their respective successors.

12.5 Applicable Law. The terms and conditions of this Agreement and the Warrants shall be governed, construed, interpreted, and enforced in accordance with the domestic laws of the State of Michigan, without regard to its conflict of laws principles.

12.6 Benefits of this Agreement. Nothing in this Agreement shall be construed to give any person or corporation other than the Company, the Warrant Agent and the Holders any legal or equitable right, remedy or claim under this Agreement. This Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent, their respective assigns and the Holders.

12.7 Execution in Counterparts. This Agreement may be executed in multiple counterparts, which, when taken together, shall constitute one and the same instrument.

12.8 Captions. The captions of the sections and subsections of this Agreement have been inserted for convenience only and shall have no substantive effect.

(Signatures appear on the following page.)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

COMPANY:

Macatawa Bank Corporation

By: _____

Name: _____

Title: _____

WARRANT AGENT:

Registrar and Transfer Company

By: _____

Name: _____

Title: _____

TO BE IN THE FORM OF A BANKNOTE CERTIFICATE

CUSIP No. _____

THIS WARRANT IS GOVERNED BY AND SUBJECT TO THE TERMS AND CONDITIONS CONTAINED IN THE WARRANT AGREEMENT. A COPY OF THE WARRANT AGREEMENT MAY BE OBTAINED UPON REQUEST FROM MACATAWA BANK CORPORATION OR THE WARRANT AGENT.

Warrant to Purchase Common Stock of Macatawa Bank Corporation

This Warrant (the "Warrant") is issued to _____, or his, her or its registered assigns (the "holder") by Macatawa Bank Corporation, a Michigan corporation (the "Company"), on _____, 2009 (the "Warrant Issue Date"). This Warrant is issued pursuant to that certain Warrant Agreement, dated _____, 2009 (the "Warrant Agreement"), between the Company and Registrar and Transfer Company, a New Jersey corporation (the "Warrant Agent") and in furtherance of that certain Settlement and Release and Stock and Warrant Issuance Agreement, dated [November 26, 2008], in settlement of the lawsuit pending in the United States District Court for the Western District of Michigan, entitled *In re Trade Partners, Inc. Investor Litigation*, Case No. 1:07-MD-1846-RHB, and the lawsuit pending in the Kent County Circuit Court in Grand Rapids, Michigan, entitled *Giese et al. v. Macatawa Bank Corp et al.*, Case No. 06-11707-CZ.

1. Definitions. All capitalized terms not defined herein shall have the meanings ascribed to them in the Warrant Agreement.
2. Purchase Shares. Subject to the terms and conditions hereinafter set forth, the holder is entitled, upon surrender of this Warrant to the Warrant Agent, to purchase from the Company up to _____ (_____) fully paid and non-assessable shares of the Company's Common Stock. The number of shares of Common Stock issuable pursuant to this Section 2 shall be subject to adjustment pursuant to Section 8 of the Warrant Agreement.
3. Exercise Price. The purchase price for each Warrant Share shall be \$9.00 per share, as adjusted from time to time pursuant to Section 8 of the Warrant Agreement (the "Exercise Price"). All payments shall be made in lawful money of the United States of America by certified or official bank check or checks payable to the order of the Company or by wire transfer.
4. Exercise Period. This Warrant shall be exercisable, in whole or in part, on any Business Day, from and after the later of (a) _____, 2010 and (b) the Effective Date of the Registration Statement and until 5:00 p.m., Holland, Michigan time, on the fifth anniversary of the later of (a) or (b), as such period may be extended pursuant to the terms of the Warrant Agreement (the "Exercise Period").
5. Method of Exercise. While this Warrant remains outstanding and during the Exercise Period, the holder may exercise, in whole or in part, the purchase rights evidenced hereby. Such exercise shall be effected by: (a) the surrender of this Warrant, together with a duly executed copy of the form of Notice of Election (attached to this Warrant), to the Warrant Agent at its principal offices; and (b) the payment to the Warrant Agent for the account of the Company of an amount equal to the aggregate Exercise Price for the number of Warrant Shares being purchased in any manner permitted in the Warrant Agreement.
6. Certificates for Warrant Shares. Upon the exercise of the purchase rights evidenced by this Warrant, one or more certificates for the number of Warrant Shares so purchased shall be issued as soon as practicable thereafter (with appropriate restrictive legends, if applicable), and in any event within thirty (30) days of the delivery of the Notice of Election. In case the holder shall exercise this Warrant with respect to less than all of the Warrant Shares that may be purchased under this Warrant, the Company shall execute a new warrant in the form of this Warrant for the balance of such Warrant Shares and deliver such new warrant to the holder of this Warrant.
7. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares, the Company shall make a cash payment for such fractional shares or scrip on the basis of the Trading Price determined as of the date of exercise.
8. No Shareholder Rights. Prior to exercise of this Warrant, the holder shall not be entitled to any rights of a shareholder with respect to the Warrant Shares, including (without limitation) the right to vote such Warrant Shares, receive dividends or other distributions thereon, exercise preemptive rights or be notified of shareholder meetings, and such holder shall not be entitled to any notice or other communication concerning the business or affairs of the Company. However, nothing in this Section 8 shall limit the right of the holder to be provided the notices required under the Warrant Agreement.

9. Transfers of Warrant. Subject to compliance with applicable federal and state securities laws, this Warrant and all rights (but only with all related obligations) under this Warrant are transferable in whole or in part by the holder. The transfer shall be recorded on the books of the Company upon (a) the surrender of this Warrant, properly endorsed, or as otherwise provided for in Section 3 of the Warrant Agreement, to the Warrant Agent at its principal offices, and (b) the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. In the event of a partial transfer, the Company shall issue to the holders one or more appropriate new warrants.

10. Successors and Assigns. The terms and provisions of this Warrant and the Warrant Agreement shall inure to the benefit of, and be binding upon, the Company and the holders hereof and their respective successors and assigns.

11. Amendments and Waivers. Any term of this Warrant may be amended and the observance of any term of this Warrant may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and the holder. Any waiver or amendment effected in accordance with this Section shall be binding upon each holder of any Warrant Shares purchased under this Warrant at the time outstanding (including securities into which such Warrant Shares have been converted), each future holder of all such Warrant Shares, and the Company.

12. Notices. All notices required under this Warrant shall be deemed to have been given or made for all purposes (a) upon personal delivery, (b) five (5) days after deposit in the mail, postage prepaid, first class mail, or (c) one (1) day after deposit with a recognized overnight courier, postage prepaid. Notices to the Company shall be sent to 10753 Macatawa Drive, Holland, Michigan 49424 (or at such other place as the Company shall notify the holder hereof in writing). Notices to the holder shall be sent to the address of the holder in the Warrant Register. Notices to the Warrant Agent shall be sent to 10 Commerce Drive, Cranford, New Jersey 07016, Attn: Dan Flynn (or such other address as the Warrant Agent shall indicate in a notice to the Company and the holder).

13. Captions. The section and subsection headings of this Warrant are inserted for convenience only and shall not constitute a part of this Warrant in construing or interpreting any provision hereof.

14. Governing Law. The terms and conditions of this Warrant shall be governed, construed, interpreted, and enforced in accordance with the domestic laws of the State of Michigan, without regard to its conflict of laws principles.

15. Warrant Agreement. This Warrant is governed by and subject to the terms and conditions contained in the Warrant Agreement. In the event of a conflict between the provisions of the Warrant Agreement and this Warrant, the provisions of the Warrant Agreement shall govern. A copy of the Warrant Agreement may be obtained at no cost upon request from the Company at its principal office or from the Warrant Agent.

IN WITNESS WHEREOF, the Company and the Warrant Agent have caused this Warrant to be executed by their duly authorized officers.

COMPANY:

Macatawa Bank Corporation

By: _____

Name: _____

Title: _____

WARRANT AGENT:

Registrar and Transfer Company

By: _____

Name: _____

Title: _____

MACATAWA BANK CORPORATION

WARRANT NOTICE OF EXERCISE

To: Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

1. The undersigned hereby elects to purchase _____ shares of Common Stock of Macatawa Bank Corporation, a Michigan corporation (the "Company"), pursuant to the terms of the attached Warrant and the Warrant Agreement referenced in such Warrant. To the extent the undersigned is not exercising this Warrant in full, please reissue and return to the undersigned a new Warrant to purchase the remaining number of shares of Common Stock.

2. Payment of the Exercise Price per share required under such Warrant accompanies this notice in the amount of \$ _____ by means of:

_____ wire transfer of immediately available funds to the Warrant Agent for the account of the Company,

_____ certified or official bank check or checks to the order of the Company, or

_____ surrender of the right to receive Warrant Shares having an aggregate Trading Price determined as of the date hereof equal to the aggregate Exercise Price.

Signature: _____

Name in Which Shares Are to be Registered:

Print Name: _____

Name: _____

SSN: _____

SSN: _____

Address: _____

Address: _____

Date: _____

Signatures must be guaranteed by an eligible guarantor institution (a bank, stockbroker, savings and loan association or credit union with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended.

Signature Guaranteed by: _____

MACATAWA BANK CORPORATION

WARRANT TRANSFER

To: Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

For value received, the undersigned hereby sells, assigns and transfers unto _____ the right to purchase _____ (_____) shares of Common Stock, no par value, of Macatawa Bank Corporation, a Michigan corporation (the "Corporation") pursuant to the attached Warrant and does hereby irrevocably constitute and appoint Registrar and Transfer Company as the undersigned's attorney-in-fact, with full power of substitution, to transfer the Warrant, or such portion as is transferred hereby, on the books of the Corporation. The undersigned requests that the Registrar and Transfer Company issue to the transferee a Warrant certificate evidencing such transfer and to issue to the undersigned a new Warrant evidencing the right to purchase Common Stock for the balance not so transferred, if any.

Signature: _____

Name in Which Shares Are to be Registered:

Print Name: _____

Name: _____

SSN: _____

SSN: _____

Address: _____

Address: _____

Date: _____

Signatures must be guaranteed by an eligible guarantor institution (a bank, stockbroker, savings and loan association or credit union with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended.

Signature Guaranteed by: _____

I, Philip J. Koning certify that:

1. I have reviewed this quarterly report on Form 10-Q of Macatawa Bank Corporation;
2. Based on my knowledge, this report does 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 with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2009

/s/ Philip J. Koning

Philip J. Koning
Co-Chief Executive Officer

EXHIBIT 31.2

I, Ronald L. Haan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Macatawa Bank Corporation;
2. Based on my knowledge, this report does 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 with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2009

/s/ Ronald L. Haan

Ronald L. Haan
Co-Chief Executive Officer

I, Jon W. Swets, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Macatawa Bank Corporation;
2. Based on my knowledge, this report does 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 with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2009

/s/ Jon W. Swets

Jon W. Swets
Chief Financial Officer

EXHIBIT 32.1

Philip J. Koning, Co-Chief Executive Officer of Macatawa Bank Corporation, Ronald L. Haan, Co-Chief Executive Officer of Macatawa Bank Corporation and Jon W. Swets, Senior Vice President and Chief Financial Officer of Macatawa Bank Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) the information contained in the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 fairly presents, in all material respects, the financial condition and results of operations of Macatawa Bank Corporation.

Dated: May 7, 2009

/s/ Philip J. Koning

Philip J. Koning
Co-Chief Executive Officer

/s/ Ronald L. Haan

Ronald L. Haan
Co-Chief Executive Officer

/s/ Jon W. Swets

Jon W. Swets
Chief Financial Officer