

MERCANTILE BANK CORP
Form DEF 14A
March 14, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

(Amendment No.)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

MERCANTILE BANK CORPORATION

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Notice of Annual Meeting of Shareholders

To Be Held on April 24, 2014

To our Shareholders:

The 2014 annual meeting of shareholders of Mercantile Bank Corporation will be held at Kent Country Club, 1600 College Avenue NE, Grand Rapids, Michigan 49505 on Thursday, April 24, 2014, at 9:00 a.m. local time. The meeting is being held for the purpose of considering and voting on the following matters:

1. Election of eleven directors, each for a one-year term.
2. Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2014.
3. An advisory vote to approve the compensation of our named executive officers disclosed in this proxy statement.
4. Any other business that may properly be brought before the meeting or any adjournment of the meeting.

All shareholders of record at the close of business on Friday, February 28, 2014 are entitled to notice of and to vote at the meeting, and any postponements or adjournments of the meeting.

Your vote is important. We urge you to submit your proxy (1) over the internet, (2) by telephone or (3) by mail, whether or not you plan to attend the meeting in person. For specific instructions, please refer to the questions and answers beginning on the first page of the proxy statement and the instructions on the proxy card relating to the annual meeting. We would appreciate receiving your proxy by Friday, April 11, 2014.

By Order of the Board of Directors,

Michael H. Price
Chairman of the Board, President and
Chief Executive Officer

Dated: March 14, 2014

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For the Annual Meeting of Shareholders
To Be Held on April 24, 2014
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Mercantile Bank Corporation
310 Leonard Street NW
Grand Rapids, Michigan 49504

March 14, 2014

Proxy Statement
For the Annual Meeting of Shareholders
To Be Held on April 24, 2014

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Mercantile Bank Corporation (we, our or Mercantile). The proxies are being solicited for use at the annual meeting of shareholders to be held on Thursday, April 24, 2014 at 9:00 a.m., local time, at Kent Country Club, 1600 College Avenue NE, Grand Rapids, Michigan 49505, and at any and all adjournments of the meeting. An annual report that consists of our Annual Report on Form 10-K for the year ended December 31, 2013 and other information is first being mailed or made available to shareholders, along with these proxy materials, on or about March 14, 2014.

Information About the Annual Meeting and Voting

What is the purpose of the annual meeting?

At our annual meeting, shareholders will act upon the matters outlined in the accompanying notice of the meeting and described in this proxy statement. These matters include the election of directors, the ratification of the selection of our independent registered public accounting firm, and an advisory (non-binding) vote on the compensation of our named executive officers disclosed in this proxy statement.

Please read this proxy statement carefully. You should consider the information contained in this proxy statement when deciding how to vote your shares at the annual meeting.

Who is entitled to vote?

The Board of Directors has set February 28, 2014 as the record date for the annual meeting. If you were a shareholder of record at the close of business on the record date, February 28, 2014, you are entitled to receive notice of the meeting and to vote your shares at the meeting. Holders of Mercantile common stock are entitled to one vote per share.

What is the difference between a shareholder of record and a street name holder?

These terms describe how your shares are held. If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are a shareholder of record. If your shares are held in a stock brokerage account or by a bank, trust or other nominee, then the broker, bank, trust or other nominee is considered to be the shareholder of record with respect to those shares. However, you still are considered the beneficial owner of those shares, and your shares are said to be held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares using the voting instructions provided by it.

Who can attend the meeting?

All shareholders as of the record date, or their duly appointed proxies, may attend the meeting.

What is a proxy?

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A proxy is your designation of another person to vote on your behalf. The other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy

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or a proxy card. When you designate a proxy, you also may direct the proxy how to vote your shares. We sometimes refer to this as your proxy vote. By completing and returning the enclosed proxy card, or voting by internet or telephone, you are giving the persons appointed as proxies by our Board of Directors the authority to vote your shares.

What is a proxy statement?

A proxy statement is a document that we are required to give you, or provide you access to, in accordance with regulations of the Securities and Exchange Commission (the SEC), when we ask you to designate proxies to vote your shares of our common stock at a meeting of our shareholders. The proxy statement includes information regarding the matters to be acted upon at the meeting and certain other information required by regulations of the SEC and rules of The Nasdaq Stock Market (Nasdaq).

How many shares must be present to hold the meeting?

At least a majority of the shares of our common stock outstanding on the record date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. Your shares are counted as present at the meeting if:

you are present and vote in person at the meeting; or

you have properly submitted a proxy by mail, telephone or internet.

As of the record date, 8,738,608 shares of our common stock were outstanding and entitled to vote. Proxies that are received and voted as withholding authority, abstentions, and broker non-votes (where a bank, trust, broker or other nominee does not exercise discretionary authority to vote on a matter) will be included in the calculation of the number of shares considered to be present at the meeting.

How do I vote my shares?

If you are a shareholder of record as of the record date, you can give a proxy to be voted at the meeting in any of the following ways:

over the telephone by calling a toll-free number;

electronically, using the internet; or

by completing, signing and mailing the printed proxy card.

The telephone and internet voting procedures have been set up for your convenience. We encourage you to reduce corporate expense by submitting your vote by telephone or internet. The procedures have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you are a shareholder of record and you would like to submit your proxy by telephone or internet, please refer to the specific instructions provided on the enclosed proxy card. If you wish to submit your proxy by mail, please return your signed proxy card to us before the annual meeting.

If the shares you own are held in street name, your broker, bank, trust or other nominee, as the record holder of your shares, is required to vote your shares according to your instructions. Your broker, bank, trust or other nominee is required to send you directions on how to vote those shares. If you do not give instructions to your broker, bank, trust or other nominee, it will still be able to vote your shares with respect to certain discretionary items, but will not be allowed to vote your shares with respect to certain non-discretionary items. In the case of non-discretionary items, the shares that do not receive voting instructions will be treated as broker non-votes.

If, as of the record date, you are a shareholder of record and you attend the meeting, you may vote in person at the meeting. Even if you currently plan to attend the meeting, we recommend that you also submit

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your proxy as described above so that your vote will be counted if you later decide not to attend the meeting. If you are a street name holder, you may vote your shares in person at the meeting only if you obtain a signed letter or other document from your broker, bank, trust or other nominee giving you the right to vote the shares at the meeting. If you have questions about attending or would like directions to the annual meeting, please write to the Secretary, Mercantile Bank Corporation, 310 Leonard Street NW, Grand Rapids, Michigan 49504 or call 616-726-1601.

What does it mean if I receive more than one proxy card or voting instruction form?

If you receive more than one proxy card or voting instruction form, it means that you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy card, or if you submit your proxy vote by telephone or internet, vote once for each proxy card or voting instruction form you receive.

What if I do not specify how I want my shares voted?

If you submit a signed proxy card or submit your proxy by telephone or internet and do not specify how you want to vote your shares, the proxies will vote your shares:

FOR the election of all of the eleven nominees for director;

FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2014;

FOR the advisory approval of the compensation of our named executive officers disclosed in this proxy statement; and

In the discretion of the persons named as proxies as to all other matters that may be properly presented at the annual meeting.

Can I change my proxy after submitting my proxy?

Yes, you may revoke your proxy and change your vote at any time before your proxy is voted at the annual meeting. If you are a shareholder of record, you may revoke your proxy and change your vote by submitting a later-dated proxy by telephone, internet or mail, by voting in person at the meeting, or by delivering to our Secretary a written notice of revocation. Attending the meeting will not revoke your proxy unless you specifically request to revoke it.

If you hold your shares in street name, contact your broker, bank, trust or other nominee regarding how to revoke your proxy and change your vote.

What is the vote required to approve each matter?

Election of Directors. The affirmative vote of the holders of a plurality of the votes cast on the election of directors at the meeting is required for nominees to be elected as directors. Votes withheld and broker non-votes are not counted toward a nominee's total.

Independent Registered Public Accounting Firm. The affirmative vote of a majority of the common stock present in person or by proxy at the meeting and voting on the matter is necessary to approve the ratification of our independent registered public accounting firm. For purposes of counting votes on this matter, abstentions and broker non-votes will not be counted as shares voted on the matter.

Advisory approval of compensation of our named executive officers. Because this is an advisory vote, it will not be binding upon the Board of Directors. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements. For purposes of counting votes on this matter, abstentions and broker non-votes will not be counted as shares voted on the matter.

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Are there other matters to be voted on at the meeting?

As of the date of this proxy statement, our Board of Directors does not know of any matters which may come before the meeting, other than the matters described in this proxy statement. Should any other matter requiring a vote of the shareholders arise and be properly presented at the annual meeting, the proxy gives the persons named in the proxy and designated to vote the shares discretionary authority to vote or otherwise act with respect to any such matter in accordance with their best judgment.

How does the Board recommend that I vote?

The Board of Directors recommends that you vote:

FOR the election of all of the eleven nominees for director;

FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2014; and

FOR the advisory approval of the compensation of our executives disclosed in this proxy statement.

Who pays for this proxy solicitation?

All costs of soliciting proxies will be borne by us. Our directors, officers, and other employees, and employees of our subsidiary, Mercantile Bank of Michigan (the "Bank"), may, without compensation other than their regular compensation, solicit proxies by further mailing or personal conversation, or by telephone, facsimile or electronic means. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for their out-of-pocket expenses for forwarding soliciting material to the beneficial owners of our common stock.

Important Notice Regarding the Availability of Proxy Materials for the

Shareholder Meeting

to be Held on April 24, 2014:

Our proxy statement and 2013 annual report are available at

www.edocumentview.com/MBWM.

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The following table presents information regarding the beneficial ownership of our common stock, as of February 1, 2014, by each of our current directors, each nominee for election as a director, our executive officers named in the Summary Compensation Table, and all of our directors and executive officers as a group.

| Name of Beneficial Owner | Amount Beneficially Owned(1) | Percent of Class Beneficially Owned(15) |
|--|-------------------------------------|--|
| Kirk J. Agerson | 2,205(2) | * |
| David M. Cassard | 20,563(3) | * |
| Edward J. Clark | 47,322(4) | * |
| John F. Donnelly | 2,200(5) | * |
| Michael D. Faas | 12,700(6) | * |
| Doyle A. Hayes | 9,453(7) | * |
| Susan K. Jones | 8,429(8) | * |
| Robert B. Kaminski, Jr. | 49,167(9) | * |
| Calvin D. Murdock | 28,498(10) | * |
| Michael H. Price | 88,558(11) | 1.0% |
| Timothy O. Schad | 12,025(12) | * |
| Charles E. Christmas | 51,610(13) | * |
| All directors and executive officers as a group (12 persons) | 332,730(14) | 3.8% |

Member of our Board of Directors.

* Less than 1%.

- (1) The number of shares beneficially owned includes any shares over which the person has sole or shared voting power or investment power and also any shares that the person can acquire within 60 days of February 1, 2014 through the exercise of any stock options or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) over the shares set forth in the table. For each person, the number of shares that is included in the table because the person has options to acquire the shares is set forth below.

| Name | Shares | Name | Shares | Name | Shares |
|--------------|---------------|-------------------|---------------|---------------|---------------|
| Mr. Agerson | 0 | Mr. Faas | 0 | Mr. Murdock | 578 |
| Mr. Cassard | 578 | Mr. Hayes | 578 | Mr. Price | 7,618 |
| Mr. Clark | 578 | Mrs. Jones | 578 | Mr. Schad | 0 |
| Mr. Donnelly | 0 | Mr. Kaminski, Jr. | 6,486 | Mr. Christmas | 6,199 |

- (2) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006.
- (3) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006.
- (4) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006 and 1,164 shares that Mr. Clark has the power to vote and dispose of as custodian of four accounts of grandchildren.

- (5) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006.
- (6) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006.
- (7) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006.

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- (8) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006.
- (9) Includes 5,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006 and 15,069 shares that Mr. Kaminski owns under the Bank's 401(k) plan.
- (10) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006, 13 shares that Mr. Murdock has the power to vote and dispose of as custodian of an account for a friend's child, and 1,620 shares owned by one of Mr. Murdock's relatives in which he has no pecuniary interest and for which he has been granted power of attorney.
- (11) Includes 8,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006 and 11,163 shares that Mr. Price owns under the Bank's 401(k) plan.
- (12) Includes 1,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006.
- (13) Includes 5,000 shares of restricted stock awarded under our Stock Incentive Plan of 2006 and 25,886 shares that Mr. Christmas owns under the Bank's 401(k) plan. Also includes 1,276 shares that Mr. Christmas's spouse, who was previously employed by the Bank, owns under the Bank's 401(k) plan as well as 309 shares that she owns in her IRA.
- (14) Includes 23,193 shares that such persons have the right to acquire within 60 days of February 1, 2014 pursuant to stock options, 27,000 shares of restricted stock awarded under our stock-based compensation plans, and 53,394 shares that such persons own under the Bank's 401(k) plan.
- (15) The percentages shown are based on the 8,738,608 shares of our common stock outstanding as of February 1, 2014, plus the number of shares that the named person or group has the right to acquire within 60 days of February 1, 2014. For purposes of computing the percentages of outstanding shares of common stock held by each person, any shares that the person has the right to acquire within 60 days after February 1, 2014 are deemed to be outstanding with respect to such person but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person.

Stock Owned by 5% Beneficial Owners

The following table presents information regarding the beneficial ownership of our common stock by each person known to us to beneficially own more than 5% of our outstanding shares of common stock as of February 14, 2014.

| Name and Address of Beneficial Owner | Amount Beneficially Owned | Percent of Class Beneficially Owned |
|--|---------------------------|-------------------------------------|
| Bruce and Mary Visser 1946 Turner NW Grand Rapids, Michigan 49504(1) | 823,762.199 | 9.4% |
| Banc Fund VI L.P. 20 North Wacker Drive, Suite 3300 Chicago, IL 60606(2) | 600,371 | 6.9% |
| Wellington Management Company, LLP 280 Congress Street Boston, MA 02210(3) | 862,045 | 9.9% |

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- (1) This information is based on a Schedule 13G, Amendment No. 5, filed with the SEC on February 14, 2014, signed by Bruce G. Visser and Mary V. Visser. The Schedule 13G discloses that each has shared voting and dispositive power over the 823,762.199 shares.

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- (2) The information is based on a Schedule 13G, Amendment No. 1, filed with the SEC on February 14, 2014, jointly on behalf of Banc Fund VI L.P., Banc Fund VII L.P. and Banc Fund VIII L.P. (collectively the Banc Fund Group). The Banc Fund Group may be deemed to have beneficial ownership of the shares reflected in the table as of December 31, 2013. The Banc Fund Group reported aggregate beneficial ownership of 600,371 shares, including 0 shares beneficially owned by Banc Fund VI L.P., 117,112 shares beneficially owned by Banc Fund VII L.P. and 483,259 shares beneficially owned by Banc Fund VIII L.P.

- (3) This information is based on a Schedule 13G, Amendment No. 1, filed with the SEC on February 14, 2014 by Wellington Management Company, LLP (Wellington). The Schedule 13G discloses that Wellington, in its capacity as investment adviser, may be deemed to have beneficial ownership of the shares reflected in the table as of December 31, 2013. Wellington reported aggregate beneficial ownership of 862,045 shares, with shared voting power over 692,152 shares and shared dispositive power over 862,045 shares.

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Proposal #1

Election of Directors

Our articles of incorporation and bylaws provide that our Board of Directors will consist of between six and fifteen directors, with the exact number of directors determined from time to time by our Board of Directors. Our Board of Directors currently has eleven members. Our directors are elected annually to one-year terms.

Our Board of Directors has nominated Kirk J. Agerson, David M. Cassard, Edward J. Clark, John F. Donnelly, Michael D. Faas, Doyle A. Hayes, Susan K. Jones, Robert B. Kaminski, Jr., Calvin D. Murdock, Michael H. Price, and Timothy O. Schad, as directors for election at this year's annual meeting for one-year terms expiring at the 2015 annual meeting. Each of the nominees is presently a director whose term expires at this year's annual meeting.

Our Board of Directors recommends that you vote FOR each of the eleven nominees named above. Unless otherwise instructed, the persons named as proxies intend to vote all proxies received for the election of the eleven nominees.

All of the nominees have indicated their willingness to continue to serve. If any nominee should become unwilling or unavailable to serve, our Board of Directors may select a substitute nominee, and in that event the proxies intend to vote all proxies for the person selected, as well as the other nominees. If a substitute nominee is not selected, the proxies intend to vote for the election of the remaining nominees. Our Board of Directors has no reason to believe that any of the nominees will become unavailable.

Set forth below is information about the nominees for election as directors. The factual information about each nominee and director has been provided by that person. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that each should serve on our Board, in light of our business and structure, was determined by our Board or its Governance and Nominating Committee. Each nominee and continuing member of our Board of Directors is also a director of the Bank. There are no family relationships among any of our directors, nominees for director and executive officers, except that Mr. Agerson's son and Mr. Cassard's daughter are married to each other.

Kirk J. Agerson, age 61

Director since 2011

Dr. Agerson is a medical doctor, and has practiced as a physician since 1977. He received his medical degree from the University of Michigan Medical School, and serves as an Assistant Clinical Professor of Family Medicine at the Michigan State University College of Human Medicine. Dr. Agerson's ongoing successful management of his private medical practice in Grand Rapids for over three decades, involvement as an Assistant Clinical Professor at a local college of medicine and role as Medical Director at West Michigan Physicians Network, an organization of independent physicians dedicated to supporting their practices and encouraging quality patient care, were contributing factors in our determination that he should serve on our Board.

David M. Cassard, age 60

Director since 2001

Mr. Cassard is retired. He is the former Chairman of Waters Corporation, a commercial real estate investment and management company. He served as President and Treasurer of Waters Corporation for over 20 years and became Chairman in 2005. Before joining Waters Corporation, he worked for an international

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firm of Certified Public Accountants. He is a graduate of the University of Michigan (BBA) and Michigan State University (MBA), and he is a Certified Public Accountant and Certified Property Manager. He previously served as a member of the Board of Directors of First Michigan Bank-Grand Rapids and was a member of the Boards of Directors of First Michigan Bank Corporation and Butterworth Hospital. He holds membership in the American Institute of CPAs, the Michigan Association of CPAs and the Institute of Real Estate Management. Mr. Cassard's combination of financial expertise and commercial real estate management experience were key factors in our determination that he should be a member of our Board. His strong accounting background was also considered, as Mr. Cassard serves as Chairperson of our Audit Committee.

Edward J. Clark, age 69

Director since 1998

Mr. Clark is the Chairman and Chief Executive Officer of The American Seating Company, and has held this position since 1986. American Seating is headquartered in Grand Rapids, Michigan, and produces seating and furniture for offices, as well as seating for buses, rail cars, auditoriums, stadiums and performing arts centers. He is a graduate of Ohio State University (BSc) and the University of Pennsylvania (MBA). Mr. Clark is a member of the Board of Trustees of the Grand Valley State University Foundation. He is Chairman of the Membership Committee of the Grand Valley State University Foundation, and on the Advisory Board of the Seidman School of Business. From 1988 through 1997, he was a member of the Board of Directors and Executive Committee of First Michigan Bank-Grand Rapids. Mr. Clark has also previously served on the Boards of Directors of the Metropolitan YMCA, the Grand Rapids Symphony Orchestra, Red Cross of Kent County, The Blodgett/Butterworth Foundation, St. Mary's Hospital, The Business and Institutional Furniture Manufacturer's Association, the Ohio State University Alumni Association, and the Grand Rapids Employers' Association. Mr. Clark's experience leading and managing a substantial seating and furniture business, and involvement and relationships in the community, led us to conclude that he should serve on our Board.

John F. Donnelly, age 61

Director since 2011

Mr. Donnelly worked for Donnelly Corporation, a global automotive supplier, from 1977 until his retirement in 2003. His position at the time of his retirement was Senior Vice President of Sales and Marketing, and prior positions included Chief Operating Officer of Donnelly's European business and Senior Vice President of Donnelly's Modular Window business. Donnelly Corporation was acquired by Magna International in 2002. Mr. Donnelly has been a member of the Board of Directors of Community Foundation of Holland/Zeeland and has served on the Foundation's investment committee. He previously served as Board Chair of the Black River Public Schools, Chair of the Boys and Girls Club of Greater Holland, was a member of the Board of Directors and investment committee of the Corpus Christi Foundation and also served as the Commodore of the Macatawa Bay Yacht Club. Mr. Donnelly is a graduate of the University of Michigan (B.A. in Economics) and the Massachusetts Institute of Technology (M.Sc. in Management). Mr. Donnelly's background encompasses a vast array of experience in various positions of a global automotive supplier, along with service to multiple boards in the Holland region. His understanding of operations both on a local and international level, along with his West Michigan market knowledge and service, led us to conclude that he should serve on our Board.

Michael D. Faas, age 61

Director since 2011

Mr. Faas is the President and Chief Executive Officer of Metro Health Corporation and Metro Health Hospital in Wyoming, Michigan. He has held this position since 1994. Metro Health has an annual budget

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of approximately \$500 million and employs approximately 2,500 individuals. Mr. Faas has over 30 years of experience in managing and overseeing hospital operations. Mr. Faas' extensive experience of working in various leadership positions in the health-care field led us to conclude that he should serve on our Board. His demonstrated responsibility for managing the operations of a local hospital, neighborhood outpatient centers and all the related staff brings the health-care perspective to our Board as we seek to expand relationships in this growing sector of our region.

Doyle A. Hayes, age 63

Director since 2001

Mr. Hayes has over 30 years of experience in the automotive industry and has held various positions within that industry. Currently, he is President of Pyper Placements, a professional placement and staffing organization, President of the dHayesGroup, a consulting and manufacturing business, and also serves as Business Acceleration Manager for Battle Creek Unlimited (BCU). At BCU, Mr. Hayes assists entrepreneurs with new business development and represents BCU in attracting business to the Calhoun County, Michigan area. From 1994 to 2009, Mr. Hayes was President and Chief Executive Officer of Pyper Products Corporation, a plastic injection molding company that supplied the auto and furniture industries. Mr. Hayes is also the majority member and past President of TalentTrax LLC, a staffing organization. He has served on several non-profit boards in the Grand Rapids community and is currently Board Chair of Metro Health Corporation. Mr. Hayes is a member of the Boards of Directors of Davenport University, Grand Valley State University Foundation, Battle Creek Chamber of Commerce, Grand Valley Metro Council, the National Small Business Association and the Advisory Board of the Seidman School of Business. Mr. Hayes is Past Chair of Small Business Association of Michigan, was formerly a Corporate Director of First Michigan Bank Corporation and is the Past Chair of the Ambulatory Care Committee of Borgess Hospital of Kalamazoo. He also formerly served as a Board Member of Borgess Hospital and a member of the Governor's Workforce Commission. We determined that Mr. Hayes should be a member of our Board based on a number of factors. He has extensive experience managing various manufacturing concerns and demonstrated leadership ability on numerous non-profit boards. Also, as an African American deeply involved in the business community, he brings us perspectives that allow us to serve our diverse communities in a better way.

Susan K. Jones, age 64

Director since 1998

Mrs. Jones is a tenured, full-time Professor of Marketing at Ferris State University in Big Rapids, Michigan, and has served as a Professor of Marketing since 1990. Mrs. Jones was also an associate partner of The Callahan Group, LLC, a marketing consulting firm, from 2005 to 2007, and was a partner of Callahan Group from 1998 to 2004. In addition, she has worked at her own marketing consulting firm, Susan K. Jones & Associates, since 1980. She enjoys an active volunteer career, currently serving as a member of the Council of 100 at Northwestern University, a member of the Sustainer Planning Committee of the Junior League of Grand Rapids Sustainers, and Treasurer of the Northwestern Club of West Michigan. She is a past-president of the Junior League of Grand Rapids, a graduate of Leadership Grand Rapids, a past-president of the Arts Council of Greater Grand Rapids, and currently serves as member of the Council at the Mayflower Congregational Church, and as a trustee of the Chicago Association of Direct Marketing Educational Foundation. Mrs. Jones is a member of the Hall of Achievement of the Medill School of Journalism, Northwestern University, and is the recipient of several prestigious awards in the fields of direct and interactive marketing. Mrs. Jones' academic background in general and her marketing expertise specifically, were important considerations in our determination that she should be a member of our Board. Also, as a female business owner, her perspective and experiences have proven valuable to us during a time when women owned businesses are more prevalent than ever.

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Robert B. Kaminski, Jr., age 52

Executive Vice President, Chief Operating Officer, Secretary and a Director of Mercantile, and President, Chief Operating Officer, Secretary and a Director of the Bank. Director since 2011

Mr. Kaminski joined the Bank in 1997 and has over 25 years of commercial banking experience. Before being promoted to his current position in 2007, Mr. Kaminski served Mercantile and the Bank as Senior Vice President and Secretary from 1997 to 2003, and Executive Vice President and Secretary from 2003 to June of 2007. In addition, he has served as the Bank's Chief Operating Officer since 2000. Mr. Kaminski serves on the Boards of Directors and Executive Committees for Boys and Girls Clubs of Grand Rapids Youth Commonwealth and Camp O Malley, the Board of Directors of A.C.T. Artists Creating Together, and the West Michigan Policy Forum. He is also currently the Chairperson of the American Diabetes Association 2014 Father of the Year Council. Mr. Kaminski's in-depth knowledge of the organization since its inception and length of experience in commercial banking were key factors in our determination that he should be a member of our Board.

Calvin D. Murdock, age 74

Director since 1997

Mr. Murdock retired October 4, 2010 from his position as President of SF Electronic Supply, Inc. (SF Supply) of Grand Rapids, Michigan. He had held that position since 1994. From 1992 to 1994, he served as the General Manager of SF Supply, and in 1991, served as SF Supply's Controller. SF Supply is a wholesale distributor of commercial and industrial electronic, electrical and automation parts, supplies and services. Mr. Murdock is a Michigan native and a graduate of Ferris State University with a degree in accounting. Prior to joining SF Supply, Mr. Murdock owned and operated businesses in the manufacturing and supply of automobile wash equipment. As a banking organization highly focused on lending to small businesses, Mr. Murdock's extensive success as a small business owner led us to conclude that he should serve as a member of our Board.

Michael H. Price, age 57

Chairman of the Board, President and Chief Executive Officer of Mercantile, and Chairman of the Board and Chief Executive Officer of the Bank. Director since 1997

Mr. Price has over 30 years of commercial banking experience, and joined the Bank in 1997. Before being promoted to his current position in 2007, Mr. Price served as President and Chief Operating Officer of Mercantile and the Bank in 1997 and 1998, and as President and Chief Operating Officer of Mercantile and President and Chief Executive Officer of the Bank from 1999 to June of 2007. Mr. Price has been and continues to be very active in the Grand Rapids community. He currently serves on the Board of Directors of Metro Health Hospital. From 2005 to 2007, he served on the Board of Directors of the Federal Home Loan Bank of Indianapolis. Mr. Price also held leadership positions on the Boards of Habitat for Humanity of Kent County, Project Rehab and Network180. Mr. Price was the founding President of our organization and has demonstrated excellent leadership qualities and a strong understanding of the fundamentals of our industry. These attributes led us to conclude that he should be a member of our Board and is the best person to serve as Chairman of our Board.

Timothy O. Schad, age 66

Director since 2007

Mr. Schad is Chairman and Chief Executive Officer of Nucraft Furniture Company, which produces high-end wood office furniture for executive offices, conference rooms and board rooms. He joined Nucraft in 1980 and served as Vice President and President prior to his appointment as Chairman and Chief Executive Officer in 1997. From 2001 to 2006, Mr. Schad also served as the Vice President for Finance and

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Administration, and Treasurer, of Grand Valley State University, a master level public university with 24,000 students and campuses in Allendale, Grand Rapids, Holland, Muskegon and Traverse City, Michigan. Mr. Schad has served on the Boards of Trustees of Ferris State University and Kendall College of Art and Design. He is a graduate of Dartmouth College, Thayer School of Engineering and Harvard Business School. Mr. Schad is an active supporter of family businesses in Michigan, serving on several private company boards of directors and as a director of the Family Business Alliance in Grand Rapids. Mr. Schad's very successful experiences in both the business and academic worlds, combined with his strong academic achievements, were the primary considerations leading us to conclude that he should be a member of our Board. His strong financial background was also considered, as Mr. Schad serves as Vice Chairperson of our Audit Committee.

A note regarding the anticipated impact of the pending merger with Firstbank on the composition of our Board of Directors and Executive Officers.

On December 12, 2013, our shareholders and the shareholders of Firstbank Corporation (Firstbank) overwhelmingly voted to approve an Agreement and Plan of Merger providing for the merger of Mercantile and Firstbank. The merger will be consummated once we have obtained the required regulatory approvals and the other closing conditions have been satisfied.

As disclosed previously in our prospectus regarding the merger, immediately following the effective time of the merger, the board of directors of the combined company will consist of six members, including (i) the President and Chief Executive Officer of Mercantile plus two members of Mercantile's Board of Directors as of the date of the merger agreement who are independent for purposes of the rules of Nasdaq selected by Mercantile's Board of Directors and (ii) the President and Chief Executive Officer of Firstbank plus two members of Firstbank's Board of Directors who are independent for purposes of the rules of Nasdaq selected by Firstbank's Board of Directors. Mercantile's Board of Directors has made a non-binding determination to select David Cassard and Calvin Murdock to serve as directors of the combined company. Firstbank's Board of Directors has selected Edward Grant and Jeff Gardner to serve as directors of the combined company. The fees and/or other remuneration to be provided to the non-employee directors of the combined company have not been determined.

The merger agreement provides that, upon completion of the merger, Thomas R. Sullivan will serve as Mercantile's Chairman of the Board, Michael H. Price will continue to serve as Mercantile's President and Chief Executive Officer, Robert B. Kaminski, Jr. will continue to serve as an Executive Vice President and Chief Operating Officer of Mercantile, Charles E. Christmas will continue to serve as Mercantile's Senior Vice President and Chief Financial Officer, and Samuel G. Stone will serve as an Executive Vice President of Mercantile.

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Our executive officers are listed in the table below.

| Name of Executive Officer | Title |
|----------------------------------|---|
| Michael H. Price | Chairman of the Board, President and Chief Executive Officer of Mercantile, and Chairman of the Board and Chief Executive Officer of the Bank |
| Robert B. Kaminski, Jr. | Executive Vice President, Chief Operating Officer and Secretary of Mercantile, and President, Chief Operating Officer and Secretary of the Bank |
| Charles E. Christmas | Senior Vice President, Chief Financial Officer and Treasurer of Mercantile, and Senior Vice President and Chief Financial Officer of the Bank |

Mr. Price and Mr. Kaminski are also members of our Board of Directors, and information regarding their business experience is described above under the heading Election of Directors. Mr. Christmas business experience, for at least the past five years, is summarized below. Our executive officers are generally elected each year at the annual meeting of our Board of Directors that follows the annual meeting of the shareholders. Their terms of office are at the discretion of our Board of Directors.

Charles E. Christmas, age 48

Senior Vice President, Chief Financial Officer and Treasurer of Mercantile, and Senior Vice President and Chief Financial Officer of the Bank

Mr. Christmas joined the Bank in 1998 and has more than 25 years of banking experience. Before being promoted to his current position in 2000, Mr. Christmas served as Vice President of Finance, Treasurer and Compliance Officer of Mercantile and the Bank in 1998, and Chief Financial Officer, Treasurer and Compliance Officer of Mercantile and the Bank in 1999. Prior to joining Mercantile, he examined various financial institutions for over ten years while serving as a bank examiner with the Federal Deposit Insurance Corporation (FDIC). He began his tenure with the FDIC upon his graduation from Ferris State University. Mr. Christmas holds a Bachelor of Science degree in Accountancy. Mr. Christmas serves on the Michigan Bankers Association Funds Management Committee, is an instructor at the Michigan Bankers Association Perry Schools of Banking, serves as a Board member, Treasurer and Secretary for the Susan G. Komen West Michigan affiliate, is a member of the Ferris State University College of Business Advisory Board and assists the Make-A-Wish Foundation of Michigan in its fundraising activities.

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Corporate Governance

Director Independence

Applicable Nasdaq rules require that a majority of our Board of Directors be independent. In February of 2014, our Board of Directors reviewed the independence of our directors and determined that each of the directors, including those nominated for election at the annual meeting, are independent as defined by applicable Nasdaq rules, with the exception of Messrs. Price and Kaminski. In making this determin