MERCANTILE BANK CORP
Form DEF 14A
April 10, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

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.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

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SEC 1913 (02-02)

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Notice of Annual Meeting of Shareholders

To Be Held on May 25, 2017

To our Shareholders:

The 2017 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, May 25, 2017, 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 eight directors, each for a one-year term.

2. Ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2017.

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 Monday, March 27, 2017 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, May 12, 2017.

By Order of the Board of Directors,

Michael H. Price
Executive Chairman of the Board

Dated: April 10, 2017

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Mercantile Bank Corporation

Proxy Statement

For the Annual Meeting of Shareholders

To Be Held on May 25, 2017

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* To be voted on at the meeting

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Mercantile Bank Corporation

310 Leonard Street NW

Grand Rapids, Michigan 49504

April 10, 2017

Proxy Statement

For the Annual Meeting of Shareholders

To Be Held on May 25, 2017

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, May 25, 2017 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, 2016 and other information is first being mailed or made available to shareholders, along with these proxy materials, on or about April 10, 2017.

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 March 27, 2017 as the record date for the annual meeting. If you were a shareholder of record at the close of business on the record date, March 27, 2017, 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?

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 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").

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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, 16,471,770 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 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 eight nominees for director;
- FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2017;
- 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. The eight nominees receiving the highest number of votes will be elected to the Board. 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.

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 eight nominees for director;
- FOR the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for 2017; and
- FOR the advisory approval of the compensation of our executive officers 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 May 25, 2017:

Our proxy statement and 2016 annual report are available at

www.envision reports.com/MBWM.

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Stock Ownership of Certain Beneficial Owners and Management

The following table presents information regarding the beneficial ownership of our common stock, as of March 27, 2017, by each of our current directors, each nominee for election as a director, our executive officers and all of our directors and executive officers as a group.

Name of Beneficial Owner	Amount Beneficially Owned(1)	Percent of Class Beneficially Owned(13)
David M. Cassard••	23,668(2)	*
Edward J. Clark••	50,441(3)	*
Michelle L. Eldridge••	8,979(4)	*
Jeff A. Gardner••	100,669(5)	*
Edward B. Grant••	18,987	*
Michael H. Price••	71,558(6)	*
Thomas R. Sullivan••	95,437(7)	*
Robert B. Kaminski, Jr.••	58,558(8)	*
Charles E. Christmas	63,645(9)	*
Raymond E. Reitsma	16,046(10)	*
Robert T. Worthington	20,513(11)	*
All directors and executive officers as a group (11 persons)	528,501(12)	3.2%

•• Current Member of our Board of Directors and Nominee for Re-election

* 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 March 27, 2017 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
Mr. Christmas	1,000
Mr. Kaminski	1,000
Mr. Price	2,000
Mr. Sullivan	8,488

(2) Includes 8,115 shares that Mr. Cassard holds jointly with his spouse.

(3) Includes 1,256 shares that Mr. Clark has the power to vote and dispose of as custodian of four accounts of grandchildren and 2,150 shares that Mr. Clark holds in an IRA.

(4) Includes 5,850 shares that Ms. Eldridge holds in an IRA and a Roth IRA.

(5) Includes 72,252 shares as to which Mr. Gardner shares voting or investment power by reason of joint ownership, trust, or other contract or property right, and 11,500 shares Mr. Gardner holds in an IRA.

(6) Includes 24,695 shares that Mr. Price holds jointly with his spouse, 18,000 shares of restricted stock, 13,297 shares that Mr. Price owns under the Bank's 401(k) plan, and 12,149 shares Mr. Price holds in an IRA.

(7) Includes 6,295 shares of restricted stock, 1,107 shares Mr. Sullivan holds jointly with his children, and 67,426 shares that Mr. Sullivan holds in an IRA.

(8) Includes 24,072 shares that Mr. Kaminski holds jointly with his spouse, 10,250 shares of restricted stock, and 23,236 shares that Mr. Kaminski owns under the Bank's 401(k) plan.

(9) Includes 5,349 shares that Mr. Christmas holds jointly with his spouse, 9,000 shares of restricted stock, and 32,756 shares that Mr. Christmas owns under the Bank's 401(k) plan. Also includes 1,514 shares that Mr. Christmas' spouse, who was previously employed by the Bank, owns under the Bank's 401(k) plan as well as 364 shares that she owns in her IRA.

(10) Includes 5,875 shares of restricted stock and 10,171 shares that Mr. Reitsma owns under the Bank's 401(k) plan.

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(11) Includes 5,500 shares of restricted stock and 15,013 shares that Mr. Worthington owns under the Bank's 401(k) plan.

(12) Includes 12,488 shares that such persons have the right to acquire within 60 days of March 27, 2017 pursuant to stock options, 54,920 shares of restricted stock awarded under our stock-based compensation plans, and 95,987 shares that such persons own under the Bank's 401(k) plan.

(13) The percentages shown are based on the 16,471,770 shares of our common stock outstanding as of March 27, 2017, plus the number of shares that the named person or group has the right to acquire within 60 days of March 27, 2017. 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 March 27, 2017 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 16, 2017.

Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class Beneficially Owned
Banc Fund VI L.P. 20 North Wacker Drive, Suite 3300 Chicago, IL 60606(1)	1,442,474	8.8%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055(2)	839,033	5.1%
Dimensional Fund Advisors LP 6300 Bee Cave Road Austin, TX 78746(3)	832,237	5.1%

(1) The information is based on a Schedule 13G, Amendment No. 2016-1, filed with the SEC on February 10, 2017, jointly on behalf of Banc Fund VI L.P. ("BF VI"), Banc Fund VII L.P. ("BF VII"), Banc Fund VIII L.P. ("BF VIII") and Banc Fund IX L.P. ("BF IX") (collectively the "Banc Fund Group") and a subsequent phone conversation with a representative of 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, 2016. The Banc Fund Group confirmed aggregate beneficial

ownership of 1,442,474 shares, including 329,024 shares beneficially owned by BF VII, 911,404 shares beneficially owned by BF VIII, and 202,046 shares owned by BF IX.

(2) The information is based on a Schedule 13G, filed with the SEC on January 30, 2017. BlackRock, Inc. may be deemed to have beneficial ownership of the shares reflected in the table as of December 31, 2016. BlackRock reported aggregate beneficial ownership of 839,033 shares.

(3) The information is based on a Schedule 13G, filed with the SEC on February 9, 2017. Dimensional Fund Advisors LP (“Dimensional”) is an investment adviser registered under Section 203 of the Investment Advisors Act of 1940. It furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the “Funds”). Though Dimensional may possess voting and/or investment power over the 832,237 shares reflected in the table as of December 31, 2016, it disclaims beneficial ownership of such securities, which are owned by the Funds.

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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 eight members. Our directors are elected annually to one-year terms.

Our Board of Directors has nominated David M. Cassard, Edward J. Clark, Michelle L. Eldridge, Jeff A. Gardner, Edward B. Grant, Robert B. Kaminski, Jr., Michael H. Price, and Thomas R. Sullivan, as directors for election at this year's annual meeting for one-year terms expiring at the 2018 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 eight nominees named above. Unless otherwise instructed, the persons named as proxies intend to vote all proxies received for the election of the eight 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, were determined by our Board or its Governance and Nominating Committee. There are no family relationships among any of our directors, nominees for director and executive officers.

David M. Cassard, age 63

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 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 financial expertise and commercial real estate management experience were key factors in our determination that he should be a member of our Board.

Edward J. Clark, age 72

Director since 2015 and previously served as a Director from 1998 to June of 2014

Mr. Clark served as a member of the Mercantile Board of Directors from 1998 until June of 2014 when he resigned as a member of the Mercantile Board in connection with the merger with Firstbank Corporation, but remained a member of the Bank Board. Mr. Clark is the Chairman and Chief Executive Officer of The American Seating Company (“American Seating”), 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.

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Michelle L. Eldridge, age 52

Director since 2016

Ms. Eldridge is a Principal of Clear Ridge Wealth Management ("Clear Ridge") in Kalamazoo, Michigan, which she co-founded in 2014. Clear Ridge provides integrated wealth management to high net worth families and customized investment management to institutional organizations. Prior to founding Clear Ridge, Ms. Eldridge was a Principal of LVM Capital for 16 years. Ms. Eldridge serves as a trustee of the Kalamazoo Valley Community College Foundation, is part of the Leadership Council of the Small Business Association of Michigan, is Treasurer of Prince of Peace Lutheran Church, and is a member of the Kalamazoo Civic Theatre Endowment Fund Committee. She is a Chartered Financial Analyst, Certified Private Wealth Advisor®, and a graduate of Western Michigan University. Ms. Eldridge's experience as a chartered financial analyst and licensed wealth manager, as well as her leadership roles in the communities we serve, were key factors in our determination that she should be a member of our Board.

Jeff A. Gardner, age 65

Director since 2014

Mr. Gardner joined Mercantile's Board of Directors in June of 2014, following our merger with Firstbank. Mr. Gardner served as a director and vice-chairman of Keystone Community Bank from 1997 through the date of the merger and a director of Firstbank Corporation from October 2005 through the date of the merger. Mr. Gardner is President of Gardner Group, which he formed in 1980. Gardner Group provides real estate services throughout southwestern Michigan, including development, construction, management, brokerage and maintenance. Mr. Gardner is a principal in numerous real estate developments, construction projects, and a consulting company. Mr. Gardner holds the designation of Certified Property Manager. Mr. Gardner's extensive real estate expertise in the markets we serve led us to conclude that he should serve on our Board.

Edward B. Grant, age 67

Director since 2014

Mr. Grant joined Mercantile's Board of Directors in June of 2014, following our merger with Firstbank. Mr. Grant served as a director of Firstbank (Mt. Pleasant) from 1988 through the date of the merger and of Firstbank Corporation from 1990 through the date of the merger. He served as Chairman of the Board of Firstbank (Mt. Pleasant) from 1989 through the date of the merger. Mr. Grant retired in August 2015 after having served in various faculty and administrative positions at Central Michigan University ("CMU"), most recently completing 16 years as General Manager of CMU Public Broadcasting. Mr. Grant is a Certified Public Accountant, and holds a Ph.D. in accounting from Michigan State University. We concluded that Mr. Grant should serve on our Board due to his specialized expertise in accounting and connection to the markets we serve.

Robert B. Kaminski, Jr., age 55
President and Chief Executive Officer of Mercantile; Chief Executive Officer of the Bank; Director of Mercantile since 2016 and previously from 2011 to 2014

Mr. Kaminski joined the Bank in 1997 and has over 30 years of commercial banking experience. Mr. Kaminski was appointed President and Chief Executive Officer of Mercantile on January 1, 2017 and continues to serve as Chief Executive Officer of the Bank, a position he has held since 2015. Mr. Kaminski has held various positions of increasing influence and responsibility with Mercantile and the Bank, serving Mercantile and the Bank as Senior Vice President and Secretary from 1997 to 2003, Executive Vice President and Secretary from 2003 to June of 2007, Executive Vice President and Secretary from 2007 to 2015 and President and Chief Executive Officer from 2015 through 2016. In addition, he served as the Bank's Chief Operating Officer from 2000 to 2016. Mr. Kaminski serves on the Boards of Directors for Boys and Girls Clubs of Grand Rapids Youth Commonwealth, the Heart of West Michigan United Way, the City of Wyoming Retirement Board, and the West Michigan Policy Forum. Mr. Kaminski also serves as a director of Mercantile, a position to which he was appointed by the Board on December 15, 2016. Mr. Kaminski served as a director of Mercantile previously from 2011 to 2014. Mr. Kaminski's recent appointment as the President and Chief Executive Officer of Mercantile, leadership of the organization since its inception as one of our founding executives and in-depth knowledge of commercial banking were key factors in our determination that he should be a member of our Board.

Michael H. Price, age 60

Executive Chairman of Mercantile and of the Bank; Director since 1997

Mr. Price has over 30 years of commercial banking experience and joined the Bank in 1997. Mr. Price retired as the President and Chief Executive Officer of Mercantile and Chief Executive Officer of the Bank on January 1, 2017, positions he had held since 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 also served as Chairman of the Board of Mercantile from 2007 through the date of the Firstbank merger and resumed his position as Chairman of Mercantile following Mr. Sullivan's retirement in May of 2015. 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 Corporation and the Board of Trustees of Aquinas College. 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.

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Thomas R. Sullivan, age 66

Director since 2014

Mr. Sullivan joined Mercantile's Board of Directors and was appointed Chairman of the Board and Vice Chairman of the Bank in June of 2014, following our merger with Firstbank. He retired from employment with Mercantile on May 28, 2015 and remains a director. Mr. Sullivan served as President and Chief Executive Officer of Firstbank Corporation beginning in January of 2000 through the date of the merger. He served as President and Chief Executive Officer of Firstbank (Mt. Pleasant) from December, 1991 until January, 2007. He served as a director of Firstbank (Mt. Pleasant) from 1991 through the date of the merger. He also served as a director of Firstbank – Alma and Firstbank – West Branch from January, 2000, Keystone Community Bank from October, 2005 and Firstbank – West Michigan from July, 2007, each through the date of the merger. Mr. Sullivan also served as an Officer of Firstbank Corporation from 1991 through the date of the merger. Additionally, Mr. Sullivan has been elected as a Member Director of the Federal Home Loan Bank of Indianapolis, serving in that capacity from 2004 through 2009, and from 2011 to the present. We concluded that Mr. Sullivan should serve as a member of our Board due to his extensive expertise as President and Chief Executive Officer of Firstbank and his experience in and knowledge of the Michigan community banking market.

Executive Officers

Our executive officers are listed in the table below.

Name of Executive Officer	**Title**
Michael H. Price	Executive Chairman of Mercantile and the Bank
Robert B. Kaminski, Jr.	President and Chief Executive Officer of Mercantile, Chief Executive Officer of the Bank
Charles E. Christmas	Executive Vice President, Chief Financial Officer and Treasurer of Mercantile, and Executive Vice President and Chief Financial Officer of the Bank
Raymond E. Reitsma	President of the Bank
Robert T. Worthington	Chief Operating Officer, Senior Vice President, General Counsel and Secretary of Mercantile and 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.” The business experience for Mr. Christmas, Mr. Reitsma, and Mr. Worthington 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 51

Executive Vice President, Chief Financial Officer and Treasurer of Mercantile,

and Executive Vice President and Chief Financial Officer of the Bank

Mr. Christmas joined the Bank in 1998 and has 28 years of banking experience. Before being promoted to his current position as Executive Vice President and Chief Financial Officer of Mercantile and the Bank, Mr. Christmas served as Senior Vice President and Chief Financial Officer of Mercantile and the Bank from 2000 to 2015. Mr. Christmas also serves as Treasurer of Mercantile, a position he has held since 2000. 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 School of Banking, serves as a Board member and President of the Susan G. Komen 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.

Raymond E. Reitsma, age 54

President and Director of the Bank since 2017

Mr. Reitsma was appointed President of the Bank effective January 1, 2017, and has been with the Bank for thirteen years, beginning with his initial role as a Commercial Loan Manager in 2003, including holding the title of Senior Lender for eight years. In June 2015, Mr. Reitsma was appointed to be the Bank's West Region President. Mr. Reitsma's areas of responsibility have included commercial lending, treasury/cash management, mortgage lending, and credit administration. Mr. Reitsma was also very instrumental in the preparation, transition and integration periods surrounding the merger with Firstbank Corporation. Mr. Reitsma currently serves on the local board of the American Heart Association, and served as the Chair for the 2015 Heart Walk. Additionally, he serves on the Advisory Council of DA Blodgett/St. John's Home and has done so since 2011. Previously, Mr. Reitsma served on the Board of Directors of the Pine Rest Foundation for six years, including two years as Treasurer. He has also been involved with the local United Way agency, most recently as the annual Campaign Chair for the Bank. Mr. Reitsma graduated from Calvin College with a B.A. in Business Administration and also holds an MBA in Finance from Michigan State University.

Robert T. Worthington, age 42

Chief Operating Officer, Senior Vice President, General Counsel and Secretary of Mercantile and the Bank

Mr. Worthington has 22 years of banking and corporate finance experience. Mr. Worthington was appointed Chief Operating Officer and Secretary of Mercantile on January 1, 2017, and continues to serve as Chief Operating Officer, Senior Vice President, General Counsel and Secretary of Mercantile and the Bank. Mr. Worthington joined the Bank in 2009 as Senior Vice President and Risk Management Director and was appointed General Counsel of the Bank in 2011. In 2016, Mr. Worthington was appointed Chief Operating Officer of the Bank and became Senior Vice President and General Counsel of Mercantile. Prior to joining the Bank, he was a corporate attorney, internal auditor, certified public accountant, and bank teller. Mr. Worthington serves as Chairman of Junior Achievement of the Michigan Great Lakes, Committee Member of the Gerald R. Ford Presidential Foundation, Trustee of the Michigan Bankers Workers Compensation Fund, and Director of MiBankPAC.

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Corporate Governance

Director Independence

Applicable Nasdaq rules require that a majority of our Board of Directors be independent. In March of 2017, 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. Sullivan, Price, and Kaminski. In making this determination, our Board of Directors has concluded that none of the independent directors has a relationship that in the opinion of our Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Board Meetings

During 2016, our Board of Directors held a total of ten meetings. During 2016, each director attended all of the meetings of our Board and its committees on which he or she then served.

Our Board of Directors has a policy of encouraging members of the Board of Directors to attend the annual meetings of the shareholders. All of our directors then serving on our Board attended last year's annual meeting.

Board Committees

Our Board of Directors has, and appoints members to, three standing committees: the Audit Committee, the Compensation Committee, and the Governance and Nominating Committee. The membership of these committees, as of March 27, 2017, was as follows:

Audit Committee	Compensation Committee	Governance and Nominating Committee
David M. Cassard	David M. Cassard*	David M. Cassard
Edward J. Clark	Edward J. Clark	Edward J. Clark*
Michelle L. Eldridge	Michelle L. Eldridge	Michelle L. Eldridge
Jeff A. Gardner	Jeff A. Gardner	Jeff A. Gardner
Edward B. Grant*	Edward B. Grant	Edward B. Grant

* Committee chairperson

Each of the members of these committees is an independent director as defined by applicable Nasdaq rules. Each of these committees has a charter that has been approved by our Board of Directors and is available on our website, www.mercbank.com.

Audit Committee. The Audit Committee has five members and met five times in 2016. The Audit Committee assists our Board of Directors in overseeing our financial reporting process, internal controls and audit functions, and is directly responsible for the appointment, evaluation, retention and compensation of our independent registered public accounting firm. Our Board of Directors has determined that Messrs. Cassard and Grant, who are members of the Audit Committee, are qualified as audit committee financial experts, as that term is defined in the rules of the SEC. Each Audit Committee member is independent, as independence for audit committee members is defined in the Nasdaq listing standards and the rules of the SEC. More information about the Audit Committee is included below under the heading "Audit Committee Report."

Compensation Committee. The Compensation Committee has five members and met six times in 2016. The Compensation Committee assists our Board of Directors in carrying out its responsibilities relating to compensation and benefits for our directors, officers and employees. The Compensation Committee's responsibilities and authority include:

- reviewing and approving the goals and objectives relating to the compensation of our executive officers, and evaluating the performance of the CEO;
- determining, or recommending to our Board for determination, all elements of compensation for our executive officers;
- reviewing compensation and guidelines for directors' ownership of our stock;
- reviewing our incentive compensation arrangements to determine whether they encourage excessive risk-taking;
- considering the results of the most recent advisory vote of the shareholders on executive compensation in making compensation determinations and recommendations;
- recommending or making changes in compensation for directors;
-

- administering and making awards under our stock-based incentive plans for directors, officers and employees, to the extent provided for in the plans; and

- sole discretion in retaining or obtaining the advice of a compensation consultant, legal counsel or other adviser (each, a “Compensation Adviser”), and the direct responsibility for the appointment, compensation and oversight of the work of any Compensation Adviser it retains.

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The Compensation Committee charter grants the Compensation Committee the authority, in its discretion, to delegate appropriate matters to subcommittees of the Compensation Committee. The Compensation Committee may confer with our President and Chief Executive Officer regarding his compensation, and receives recommendations from him regarding the compensation for our other executive officers.

In 2016, we did not use a compensation consulting firm. No fees were paid to any compensation consulting firm in 2016.

Governance and Nominating Committee. The Governance and Nominating Committee has five members and met three times in 2016. The Governance and Nominating Committee advises our Board of Directors regarding corporate governance principles and practices, and recommends candidates to the Board for election as directors. It also makes recommendations to our Board of Directors regarding the composition, leadership and duties of the Board's committees.

The Governance and Nominating Committee will consider as potential nominees persons recommended by shareholders. Recommendations should be submitted to the Governance and Nominating Committee in care of the Secretary, Mercantile Bank Corporation, 310 Leonard Street NW, Grand Rapids, Michigan 49504. Each recommendation should include a personal biography of the suggested nominee, an indication of the background or experience that qualifies the person for consideration, and a statement that the person has agreed to serve if nominated and elected.

The Governance and Nominating Committee has used an informal process to identify potential candidates for nomination as directors. Candidates for nomination have been recommended by an executive officer or director, and considered by the Governance and Nominating Committee and the Board of Directors. Generally, candidates have been members of the West or Central Michigan communities who have been known to one or more of our Board members. The Governance and Nominating Committee has not adopted specific minimum qualifications that it believes must be met by a person it recommends for nomination as a director. In evaluating candidates for nomination, the Governance and Nominating Committee will consider the factors it believes to be appropriate. These factors would generally include the candidate's personal and professional integrity, business judgment, relevant experience and skills, and potential to be an effective director in conjunction with the rest of our Board of Directors in collectively serving the long-term interests of our shareholders. We do not have a specific policy relating to the consideration of diversity in identifying director candidates. However, the Governance and Nominating Committee does consider the diversity of our Board when identifying director candidates. The amount of consideration given to diversity varies with the Governance and Nominating Committee's determination of whether we would benefit from expanding the Board's diversity in a particular area. We believe that the composition of our Board has consistently demonstrated diversity as defined by viewpoint, background and professional experience. This diversity is further enriched at the Bank Board through racial and gender diversity.

Although the Governance and Nominating Committee has the authority to retain a search firm to assist it in identifying director candidates, there has to date been no need to employ a search firm. The Governance and Nominating Committee does not evaluate potential nominees for director differently based on whether they are recommended by a shareholder.

Shareholders who themselves wish to effectively nominate a person for election to the Board of Directors, as contrasted with recommending a potential nominee to the Governance and Nominating Committee for its consideration, are required to comply with the advance notice and other requirements set forth in our articles of incorporation.

Board Leadership Structure

Our Board is led by Michael H. Price, our Executive Chairman of the Board. The decision as to who should serve as Chairman of the Board, and who should serve as Chief Executive Officer, and whether those offices should be combined or separate, is properly the responsibility of our Board. The members of our Board possess considerable experience and unique knowledge of the challenges and opportunities we face, and are in the best position to evaluate our needs and how best to organize the capabilities of the directors and senior officers to meet those needs. In light of our recent management transition plan, the Board believes that the most effective leadership structure for us at this time is for the roles of Executive Chairman of the Board and Chief Executive Officer to be separated and served by Mr. Price and Mr. Kaminski, respectively.

Mr. Price was our founding President and Chief Operating Officer, and served as our Chairman of the Board from July 1, 2007 through the June 1, 2014 merger with Firstbank Corporation, at which point he was succeeded as Chairman by Mr. Sullivan. Following Mr. Sullivan’s retirement on May 28, 2015, Mr. Price resumed his prior role as Chairman of the Board of Mercantile. Given his long history of leadership with our organization, the Board of Directors believes that Mr. Price is uniquely qualified to be the person who generally sets the agenda for, and leads discussions of, strategic issues for our Board.

Mr. Kaminski joined the Bank in 1997 as one of our founding officers and has over 30 years of commercial banking experience. Before being promoted to his current position as President and Chief Executive Officer, Mr. Kaminski served in various positions of increasing influence and responsibility with Mercantile and the Bank. In light of his extensive experience with our organization in various management roles, we believe Mr. Kaminski is exceptionally well qualified to serve as our Chief Executive Officer at this time. We fully anticipate that Mr. Price and Mr. Kaminski will continue to work together and serve as effective counterparts as they carry out the management transition plan and lead our organization.

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Unlike many companies, our Board of Directors does not have an executive committee through which a chief executive officer and chairman of the board are able to undertake decisions without the participation of the full Board of Directors. Instead, our Board of Directors accomplishes most of its corporate governance role, including new director and succession planning, through its committees, which are chartered to undertake significant activities and are made up entirely of independent directors.

In addition, our independent directors participate in at least two executive sessions during the year, in which our Executive Chairman of the Board and Chief Executive Officer do not participate. Any independent director may request additional executive sessions at any meeting. Our executive sessions are led by our executive session facilitator, who is an independent director recommended by our Governance and Nominating Committee and appointed by our Board. Our executive session facilitator is responsible for setting the agenda for executive sessions and leading them. Our current executive session facilitator is David M. Cassard.

Board Role in Risk Oversight

Our Board oversees our risk management practices. In carrying out its responsibilities, our Board appointed Jeff Kaiser as Risk Management Department Head (our “Senior Risk Officer”). Our Senior Risk Officer, with supervision from our Board, is responsible for the definition, structure, implementation, and coordination of our risk management plan. Our Senior Risk Officer reports at least quarterly to our Board.

Our Senior Risk Officer is the Chairman of our Enterprise Risk Management Committee. This committee is comprised of senior management. Its purpose is to provide high-level attention and coordination to the risk management process and to discuss and address significant risks that we face.

Our Senior Risk Officer meets at least every six months with the Compensation Committee to discuss, evaluate and review our compensation plans. Our Senior Risk Officer, with the Compensation Committee, assesses whether our compensation plans encourage taking unnecessary and excessive risks that threaten our value, or encourage the manipulation of reported earnings to enhance the compensation of any employee.

Communications with Directors

Shareholders and other persons may send communications to members of our Board of Directors who serve on the Audit Committee by utilizing the webpage on our website, www.mercbank.com, designated for that purpose.

Communications received through the webpage are reviewed by a member of our internal audit staff and the chairperson of the Audit Committee. Communications that relate to functions of our Board of Directors or its committees, or that either of them believe requires the attention of members of our Board of Directors, are provided to the entire Audit Committee and reported to our Board of Directors by a member of the Audit Committee. Directors may review a log of these communications and request copies of any of the communications.

Code of Ethics

We have adopted a written code of ethics that applies to all our directors, officers and employees, including our chief executive officer and our chief financial and accounting officer. We have posted a copy of the code on our website, www.mercbank.com. In addition, we intend to post on our website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of the code.

Compensation Committee Interlocks and Insider Participation

None of Mercantile's executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity, an executive officer of which served as a director of Mercantile or member of the Compensation Committee during fiscal year 2016.

No member of the Compensation Committee has any relationship with us requiring disclosure under Item 404 of SEC Regulation S-K.

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Audit Committee Report

Each member of the Audit Committee is independent, as independence for audit committee members is defined in the Nasdaq listing standards and the rules of the SEC. The Audit Committee's primary purpose is to assist the Board of Directors in overseeing:

- the accounting and financial reporting process;
- audits of financial statements and internal control over financial reporting;
- internal accounting and disclosure controls; and
- the internal audit functions.

In carrying out its responsibilities, the Audit Committee supervises the relationship between Mercantile and its independent registered public accounting firm, including having direct responsibility for the independent registered public accounting firm's appointment, compensation and retention, reviewing the scope of its audit services, and approving audit and permissible non-audit services. The Audit Committee reviews and discusses the annual and quarterly financial statements, as well as the internal audit plan.

Management is responsible for the preparation, presentation and integrity of Mercantile's financial statements and for the appropriateness of the accounting principles and reporting policies that are used. Management is also responsible for testing the system of internal controls, and reporting to the Audit Committee on any significant deficiencies or material weaknesses that are found. Our independent registered public accounting firm for 2016, BDO USA, LLP ("BDO"), is responsible for auditing Mercantile's financial statements and internal control over financial reporting and for reviewing its unaudited quarterly financial statements.

The Audit Committee reviewed with BDO the overall scope and plan of the audit. In addition, the Audit Committee met with BDO, with and without management present, to discuss the results of BDO's audit, its evaluation of Mercantile's internal control over financial reporting, the overall quality of Mercantile's financial reporting and such other matters as are required to be discussed under the standards of the Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee has also received from, and discussed with, BDO the matters required to be discussed by PCAOB Auditing Standard No. 16 (Communications with Audit Committees) as amended.

The Audit Committee has discussed with BDO that firm's independence from management and Mercantile, and has received from BDO the written disclosures and the letter required by applicable requirements of the PCAOB regarding BDO's communications with the Audit Committee concerning independence. The Audit Committee has also considered the compatibility of audit related and tax services with BDO's independence.

In fulfilling its oversight responsibilities, the Audit Committee has reviewed and discussed the audited financial statements in the Annual Report on Form 10-K for the year ended December 31, 2016 with both management and our independent registered public accounting firm. The Audit Committee's review included a discussion of the quality and integrity of the accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the financial statements.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC.

Additionally, the Audit Committee evaluates the performance of Mercantile's independent registered public accounting firm, including the senior audit engagement team, each year and determines whether to reengage the current independent registered public accounting firm or consider other audit firms. As a threshold matter, the Committee satisfies itself that the most recent PCAOB inspection report pertaining to the current firm does not contain any information that would render inappropriate its continued service as Mercantile's independent public accountants, including consideration of the public portion of the report and discussion in general terms of the types of matters covered in the non-public portion of the report. The Audit Committee also considers: (i) the quality, efficiency and cost-effectiveness of the previous services rendered by the current auditors; (ii) the auditor's technical expertise and knowledge of Mercantile's operations and industry; and (iii) the effectiveness of the auditor's audit plan and communication with management. Based on these considerations, the Audit Committee evaluated and appointed BDO as Mercantile's independent registered public accounting firm for 2017.

Audit Committee

David M. Cassard
Edward J. Clark
Michelle L. Eldridge

Jeff A. Gardner
Edward B. Grant

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Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this proxy statement with management. Based on the review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

Compensation Committee

David M. Cassard

Edward J. Clark

Michelle L. Eldridge

Jeff A. Gardner

Edward B. Grant

Executive Compensation

Compensation Discussion and Analysis

Philosophy

Our philosophy in setting compensation policies for executive officers is to align pay with performance, while at the same time providing competitive compensation that will attract and retain executive talent. Our Compensation

Committee believes that executive compensation should be directly linked to continuous improvements in corporate performance and increasing shareholder value over the long term. The design of executive compensation programs affects all employees by setting general levels of compensation and helping to create an environment of goals, rewards and expectations. Because we believe the performance of every employee is important to our success, we are mindful of the effect of executive compensation and incentive programs on all our employees.

We believe that the compensation of our executive officers should reflect their performance as a management team and as individuals. By setting key operating objectives, such as growth in revenues, growth of operating earnings and earnings per share, and growth or maintenance of market share, we expect to be successful in providing increasing value to our shareholders. We believe that the performance of our executive officers in managing our business, when considered in light of general economic and specific company, industry and competitive conditions, should be the basis for determining their overall compensation. We also believe that their compensation should not be based on short-term results, whether favorable or unfavorable, but rather on long-term operating results which truly reflect the ability of our executives to manage our business. Long-term gains in shareholder value will be reflected in executive compensation through our stock-based compensation and other equity incentive programs.

Our policy for allocating between currently paid and long-term compensation is to provide adequate base compensation to attract and retain personnel, while offering incentives to maximize long-term value for our shareholders. We provide cash compensation in the form of a base salary to meet competitive salary norms and reward good performance on an annual basis, and, in years when the Compensation Committee determines it appropriate, in the form of bonus compensation to reward superior performance against short-term goals. We provide stock-based compensation to reward superior performance against specific objectives and long-term strategic goals. Our Compensation Committee granted restricted stock and stock options in 2014, 2015 and 2016.

Our Compensation Committee reviews and takes into consideration elements such as the following in setting compensation policies:

- peer group comparisons with our financial performance, including net interest margin, efficiency ratio, return on average assets, return on average equity, one and five year total shareholder returns, stock price, stock price to earnings ratios and stock yield;
- strategic planning effectiveness and attainment of strategic goals, ability to react to changing markets and conditions, leadership and vision provided to employees and other stakeholders, and succession planning and effectiveness;
- regulatory requirements and results of audits and examinations;
- amount of time and effort expended by employees for our communities;
- rate of employee turnover;

- content and effectiveness of our employee training;

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- results of any employee surveys;
- general attitude of employees;
- ability to retain and attract new employees;
- number of new accounts being opened and the rate of turnover;
- results of any customer surveys;
- any customer complaints that come to our attention;
- level and commitment of our executive officers to our communities;
- financial commitment to our communities; and
- community support in comparison to that of our competitors.

Our Compensation Committee's goal is to establish salary compensation for the executive officers based upon our operating performance relative to comparable peer companies over a three-year period. In setting base salaries, consideration is given to salary compensation of executive officers with comparable qualifications, experience and responsibilities at financial institutions within our peer group. Our peer group consists of seven financial institutions of similar size conducting business in the Midwest. Operating performance and salary compensation information is obtained from the annual SNL Executive Compensation Review for Banks and Thrifts. We also utilize industry compensation studies prepared by the Michigan Bankers Association and an independent public accounting firm, but to a lesser degree. The peer group comparisons are used for guidance purposes only, with the Compensation Committee taking the peer group information into consideration in determining base salaries for the executive officers; however, the Compensation Committee does not utilize benchmarks in establishing our executive officer salary compensation. The Compensation Committee intends to pay base salaries to our executive officers that are commensurate with their qualifications and demonstrated performance that brings continuing and increasing value to our shareholders and the communities that we serve.

Compensation decisions in 2016 were affected by our management succession plan. On July 19, 2016, we announced that Mr. Price would be retiring as President and Chief Executive Officer of Mercantile, and that Mr. Kaminski would be appointed to those positions effective January 1, 2017. Mr. Price continues to serve as Executive Chairman of Mercantile and the Bank, and Mr. Kaminski continues to serve as Chief Executive Officer of the Bank. Mr.

Worthington became an executive officer on May 26, 2016, when he was appointed as General Counsel of Mercantile. Mr. Worthington was further appointed as Chief Operating Officer, Senior Vice President, and Secretary of each of Mercantile and the Bank effective January 1, 2017.

Base Salary

In view of our operating performance and financial condition, the increase in the size of the organization due to the Firstbank merger, and changes in responsibilities under our management succession plan, our Compensation Committee increased the base salaries of Mr. Price, Mr. Kaminski and Mr. Christmas for 2014 and 2015 and of Mr. Kaminski and Mr. Christmas for 2016 and 2017. Mr. Worthington, who became an executive officer in 2016, received a base salary increase in 2017.

Executive Officer Bonus Compensation

For most years, it has been our policy to provide cash bonus awards for eligible executive officers and employees based on predetermined performance goals. We believe that paying such cash awards:

- promotes the growth, profitability and expense control necessary to accomplish corporate strategic long-term plans;
- encourages superior results by providing a meaningful incentive; and
- supports teamwork among employees.

We adopted bonus plans for our executive officers in each of 2014, 2015, and 2016 as described below.

Bonus Plans for 2016

On June 9, 2016, we adopted an executive officer bonus plan for 2016 (the “2016 Executive Officer Plan”) and a bonus plan for our general counsel for 2016 (the “General Counsel Plan”). The 2016 Executive Officer Plan provided for cash bonuses for Mr. Price, Mr. Kaminski and Mr. Christmas and the General Counsel Plan provided a cash bonus for Mr. Worthington.

The maximum amount that could be allocated to the bonus pool was $312,250 under the 2016 Executive Officer Plan and $37,000 under the General Counsel plan provided, however, that the maximum amount will be appropriately adjusted if (a) a newly hired employee becomes eligible to participate in one of the plans, (b) a participant's base salary is adjusted during the year, or (c) a participant becomes ineligible before December 31, 2016.

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Payment from the bonus pool under the 2016 Executive Officer Plan and the General Counsel Plan, if any, was based on the achievement of targets under the following metrics for 2016, which were established by our Compensation Committee:

Metrics for the 2016 Executive Officer Plan and the General Counsel Plan

Percentage of Total	Metric	Target	Results	Met?
10%	Net loan growth	Total loans of $2.443 billion at December 31, 2016	$2.379 billion	No
10%	Level of non-performing assets	Not to exceed 0.50% of total assets on December 31, 2016	0.21%	Yes
10%	Commercial loan portfolio composition	Commercial and industrial loans plus owner-occupied commercial real estate loans at 55% of total commercial loans at December 31, 2016	56.4%	Yes
10%	Net interest margin	3.85% for 2016	3.86%	Yes
10%	Noninterest income	$15.776 million for 2016	$21.038 million	Yes
10%	Efficiency ratio	62.90% for 2016*	58.98%	Yes
10%	Core pre-tax income	$42.282 million for 2016*	$49.160 million	Yes
10%	Return on assets	0.99% for 2016*	1.12%	Yes
10%	Return on equity	8.57% for 2016*	9.78%	Yes
10%	Wholesale funds	Average less than 10% of total funds during 2016	9.38%	Yes

(*) Measured pre bonus-accrual and excluding non-core income and expenses

The target levels are based on GAAP financial measures, other than the wholesale funds target, which is calculated as brokered deposits plus Federal Home Loan Bank (“FHLB”) advances, divided by total deposits plus repurchase agreements plus FHLB advances.

Each individual target must be met or exceeded in order for the percentage associated with that metric to be credited toward payment from the bonus pool under the 2016 Executive Officer Plan and the General Counsel Plan. The accumulated percentage for each individual target attained will be applied to the bonus pool amount to determine the total amount of the bonus pool to be awarded (the "Award Amount"). For example, if the first five factors were attained and the next five factors were not attained, and if the maximum amount is allocated to the bonus pool under the 2016 Executive Officer Plan, the Award Amount would be $312,250 x 50% = $156,125.

The Award Amount was paid to each executive officer pro rata based on a uniform percentage of the executive officer's 2016 salary (not to exceed 25% of each executive officer's 2016 salary or 20% of Mr. Worthington's 2016 salary.) Any bonus awards that were earned under the 2016 Executive Officer Plan or General Counsel Plan were paid to the executive officers on or before March 15, 2017.

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Payments under the 2016 Executive Officer Plan and General Counsel Plan are subject to specified conditions, qualifications, and clawback provisions. Each plan, to the extent provided for in the plan, may be amended by the Compensation Committee of our Board of Directors.

We attained 90% of the targets established in the 2016 Executive Officer Plan and General Counsel Plan. The bonus pool of $281,025 under the 2016 Executive Officer Plan was paid to our executive officers as follows: Mr. Price, $121,275, Mr. Kaminski, $88,875, and Mr. Christmas, $70,875. Mr. Worthington received a payment of $33,300 under the General Counsel Plan. The payments were 22.5% of the base salary of Messrs. Price, Kaminski and Christmas and 18% of Mr. Worthington's base salary. Payments under the 2016 Executive Officer Bonus Plan and General Counsel Plan are reported in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.

Bonus Plans for 2015

On May 28, 2015, we adopted an executive officer bonus plan for 2015 (the “2015 Executive Officer Plan”). The 2015 Executive Officer Plan provided for cash bonuses for Mr. Price, Mr. Kaminski, and Mr. Christmas, and our former executive officers Samuel Stone and Thomas Sullivan.

The bonus pool under the 2015 Executive Officer Plan was equal to $1.00 for every $1.00 of actual pre-tax income for 2015 that exceeded our budgeted pre-tax income for 2015. The maximum amount that could be allocated to the bonus pool under the Executive Officer Plan was $328,896.

If our actual pre-tax income exceeded budgeted pre-tax income but was not sufficient to provide an allocation of the maximum amount to each of (a) the bonus pool under the 2015 Executive Officer Plan, (b) the bonus pool under the 2015 Mercantile Bonus Plan (the "Bank Wide Bonus Plan") and (c) the bonus pool under the 2015 Mercantile Bonus Plan for Senior Management (the "Senior Management Bonus Plan"), the amount to be allocated to the respective bonus pool under each such plan would be prorated. The proration would be based on the ratio of the maximum bonus pool amount specified in each bonus plan to the sum of the maximum pool amounts under the 2015 Executive Officer Plan, the Bank Wide Bonus Plan and the Senior Management Bonus Plan. As of the effective date of the 2015 Executive Officer Plan, the proration was 18.9% to the 2015 Executive Officer Plan, 63.3% to the Bank Wide Bonus Plan and 17.8% to the Senior Management Bonus Plan.

Payment from the bonus pool under the 2015 Executive Officer Plan, if any, was based on the achievement of targets under the following metrics for 2015, which were established by our Compensation Committee:

Metrics for the 2015 Executive Officer Plan

Percentage of Total	Metric	Target	Results	Met?
20%	Net loan growth	Total loans of $2.279 billion at December 31, 2015	$2.278 billion	No
10%	Level of non-performing assets	Not to exceed 0.50% of total assets on December 31, 2015	0.23%	Yes
10%	Commercial loan portfolio composition	Commercial and industrial loans plus owner-occupied commercial real estate loans at 55% of total commercial loans at December 31, 2015	58.7%	Yes
10%	Return on assets	0.91% for 2015*	1.00%	Yes
10%	Return on equity	7.80% for 2015*	8.76%	Yes
10%	Net interest margin	3.81% for 2015	3.83%	Yes
10%	Noninterest income	$12.8 million for 2015	$16.0 million	Yes
10%	Efficiency ratio	66.40% for 2015*	65.30%	Yes
10%	Wholesale funds	Average less than 10% of total funds during 2015	7.80%	Yes

(*) Measured pre bonus-accrual and excluding efficiency program one-time costs

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The target levels are based on GAAP financial measures, other than the wholesale funds target, which is calculated as brokered deposits plus Federal Home Loan Bank (“FHLB”) advances, divided by total deposits plus repurchase agreements plus FHLB advances.

Each individual target must be met or exceeded in order for the percentage associated with that metric to be credited toward payment from the bonus pool under the 2015 Executive Officer Plan. The accumulated percentage for each individual target attained will be applied to the bonus pool amount to determine the total amount of the bonus pool to be awarded (the "Award Amount"). For example, if the first four factors were attained and the next five factors were not attained, and if the maximum amount is allocated to the bonus pool under the 2015 Executive Officer Plan, the Award Amount would be $328,896 x 50% = $164,448.

The Award Amount was paid to each executive officer pro rata based on a uniform percentage of the executive officer's 2015 salary (not to exceed 20% of each executive officer's 2015 salary in effect as of June 1, 2015 or 8.33% of Mr. Sullivan's annualized salary.) Any bonus awards that were earned under the 2015 Executive Officer Plan were paid to the executive officers on or before March 15, 2016.

Payments under the 2015 Executive Officer Plan are subject to specified conditions, qualifications, and clawback provisions. The plan, to the extent provided for in the plan, may be amended by the Compensation Committee of our Board of Directors.

We attained 80% of the targets established in the 2015 Executive Officer Plan. The bonus pool of $263,311 was paid to our executive officers as follows: Mr. Price, $86,240, Mr. Kaminski, $60,240, Mr. Christmas, $46,288, Mr. Stone, $46,032 and Mr. Sullivan, $24,511. The payments were 16% of the base salary of Messrs. Price, Kaminski, Christmas and Stone, and 6.72% of Mr. Sullivan's annualized base salary. Payments under the 2015 Executive Officer Bonus Plan are reported in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.

Bonus Plans for 2014

On February 20, 2014, we adopted an executive officer bonus plan for the first six months of 2014 (the “January-June 2014 Executive Officer Plan”). The Plan was amended on May 22, 2014 to add our new executive officers – Mr. Sullivan and Mr. Stone – as participants effective as of June 1, 2014, the effective date of the merger with Firstbank. As amended, the January-June 2014 Executive Officer Plan provided for cash bonuses for Mr. Sullivan, Mr. Price, Mr. Kaminski, Mr. Stone and Mr. Christmas.

On August 21, 2014, we adopted an executive officer bonus plan for the second six months of 2014 (the "July-December 2014 Executive Officer Plan"). The July-December 2014 Executive Officer Plan provided for cash bonuses for Mr. Sullivan, Mr. Price, Mr. Kaminski, Mr. Stone and Mr. Christmas.

The maximum amount that could be paid from the bonus pool under the January-June 2014 Executive Officer Plan was $234,935. The maximum amount that could be paid from the bonus pool under the July-December 2014 Executive Officer Plan was $341,270.

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The bonus pool under the January-June 2014 Executive Officer Plan was based on the achievement of targets under the following metrics for the first six months of 2014, which were established by our Compensation Committee:

Metrics for the January-June 2014 Executive Officer Plan

Percentage of Total	Metric	Target	Results	Met?
20%	Net loan growth	Total loans of $1.086 billion at June 30, 2014	$1.129 billion	Yes
10%	Level of non-performing assets	Not to exceed 0.60% of total assets on June 30, 2014	0.52%	Yes
10%	Commercial loan portfolio composition	Commercial and industrial loans plus owner-occupied commercial real estate loans at 55% of total commercial loans at June 30, 2014	56.4%	Yes
10%	Return on assets	0.97% for the first six months of 2014*	1.81%	Yes
10%	Return on equity	7.46% for the first six months of 2014*	13.84%	Yes