

MERCANTILE BANK CORP

Form DEF 14A

March 31, 2009

Table of Contents

**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.

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

PERSONS WHO POTENTIALLY ARE TO RESPOND TO THE COLLECTION OF INFORMATION
CONTAINED IN THIS FORM ARE NOT REQUIRED TO RESPOND UNLESS THE FORM DISPLAYS A
CURRENTLY VALID OMB CONTROL NUMBER.
SEC 1913 (02-02)

Table of Contents

**Notice of Annual Meeting of Shareholders
To Be Held on April 23, 2009**

To our Shareholders:

The 2009 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 23, 2009, 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 five directors, each for a one year term.
2. 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 27, 2009 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 Monday, April 13, 2009.

By Order of the Board of Directors,

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

Dated: March 13, 2009

Mercantile Bank Corporation

Proxy Statement

**For the Annual Meeting of Shareholders
To Be Held on April 23, 2009**

Table of Contents

	Page
<u>Proxy Statement</u>	1
<u>Information About the Annual Meeting and Voting</u>	1
<u>Stock Ownership of Certain Beneficial Owners and Management</u>	4
<u>Election of Directors*</u>	6
<u>Executive Officers</u>	11
<u>Corporate Governance</u>	12
<u>Audit Committee Report</u>	14
<u>Compensation Committee Report</u>	16
<u>Executive Compensation</u>	16
<u>Transactions with Related Persons</u>	32
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	32
<u>Independent Registered Public Accounting Firm</u>	33
<u>Shareholder Proposals for 2010 Annual Meeting</u>	34
<u>Other Matters</u>	34

* To be voted on at the meeting

Table of Contents

**Mercantile Bank Corporation
310 Leonard Street NW
Grand Rapids, Michigan 49504**

March 13, 2009

Proxy Statement

**For the Annual Meeting of Shareholders
To Be Held on April 23, 2009**

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 23, 2009 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, 2008 and other information is being mailed to shareholders, along with these proxy materials, on or about March 13, 2009.

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, including the election of directors and consideration of such other business as may properly come before the meeting.

Who is entitled to vote?

The Board of Directors has set February 27, 2009 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 27, 2009, 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.

Table of Contents

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.

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, 8,592,730 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, broker or 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 enclosed proxy card.

The telephone and internet voting procedures have been set up for your convenience. 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 or other nominee, as the record holder of your shares, is required to vote your shares according to your instructions. Your broker, bank 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 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

Table of Contents

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 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 nominees for director; 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.

What is the vote required for the 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.

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 election of directors. 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 each of the five nominees to the Board of Directors that are named in the proxy statement.

Who pays for this proxy solicitation?

All costs of soliciting proxies will be borne by us. We have engaged The Altman Group, Inc., 1200 Wall Street West, Lyndhurst, New Jersey 07071, to assist us with the proxy solicitation process. For these services, we have agreed to pay The Altman Group a fee of \$5,000 and reimburse it for certain out-of-pocket disbursements and expenses. 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 23, 2009:**

Our proxy statement and 2008 annual report are available at www.proxyvote.com.

Table of Contents**Stock Ownership of Certain Beneficial Owners and Management****Stock Owned by Management**

The following table presents information regarding the beneficial ownership of our common stock, as of February 1, 2009, by each of our 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(12)
Betty S. Burton	3,956	*
David M. Cassard	14,987	*
Edward J. Clark	26,779(2)	*
Peter A. Cordes	37,085	*
Doyle A. Hayes	7,552	*
David M. Hecht	123,753(3)	1.4%
Susan K. Jones	6,093	*
Lawrence W. Larsen	32,085(4)	*
Calvin D. Murdock	26,424(5)	*
Michael H. Price	77,506(6)	*
Merle J. Prins	6,312	*
Timothy O. Schad	9,025	*
Dale J. Visser	312,657(7)	3.6%
Donald Williams, Sr.	3,596(8)	*
Robert B. Kaminski, Jr.	46,088(9)	*
Charles E. Christmas	49,692(10)	*
All directors and executive officers as a group (16 persons)	783,590(11)	9.0%

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, 2009 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
Mrs. Burton	1,242	Mrs. Jones	1,242	Mr. Schad	0

Edgar Filing: MERCANTILE BANK CORP - Form DEF 14A

Mr. Cassard	1,242	Mr. Larsen	1,909	Mr. Visser	1,909
Mr. Clark	1,909	Mr. Murdock	1,242	Mr. Williams, Sr.	1,909
Mr. Cordes	1,909	Mr. Price	15,253	Mr. Kaminski, Jr.	23,580
Mr. Hayes	1,242	Mr. Prins	0	Mr. Christmas	23,367
Mr. Hecht	1,909				

- (2) Includes 1,117 shares that Mr. Clark has the power to vote and dispose of as custodian of four accounts, three of which are for a relative, and one of which is for a friend.
- (3) Includes 14,068 shares that Mr. Hecht has sole voting and investment power over as President of the Charles W. Loosemore Foundation, which is the record and beneficial owner of the shares. Mr. Hecht disclaims beneficial ownership of these 14,068 shares.

Table of Contents

- (4) Includes 22,109 shares held by Mr. Larsen's spouse.
- (5) Includes 13 shares that Mr. Murdock has the power to vote and dispose of as custodian of an account for a friend's child.
- (6) Includes 6,822 shares of restricted stock, awarded under our Stock Incentive Plan of 2006, and 10,611 shares that Mr. Price owns under the Bank's 401(k) plan.
- (7) Includes 84,562 shares that Mr. Visser has voting and investment power over as trustee of a trust for family members. Mr. Visser disclaims beneficial ownership of these 84,562 shares. Includes 64,247 shares that Mr. Visser has voting and investment power over as trustee of a charitable remainder trust. Mr. Visser disclaims beneficial ownership of these shares, except to the extent of his and his spouse's interest in the trust. Also includes 5,787 shares owned by Mr. Visser's spouse.
- (8) Mr. Williams, Sr. has pledged 300 of these shares as security for a loan.
- (9) Includes 4,272 shares of restricted stock awarded under our Stock Incentive Plan of 2006, and 6,937 shares that Mr. Kaminski owns under the Bank's 401(k) plan.
- (10) Includes 3,597 shares of restricted stock awarded under our Stock Incentive Plan of 2006, and 17,632 shares that Mr. Christmas owns under the Bank's 401(k) plan. Also includes 1,213 shares that Mr. Christmas's spouse, who was previously employed by the Bank, owns under the Bank's 401(k) plan.
- (11) Includes 79,864 shares that such persons have the right to acquire within 60 days of February 1, 2009 pursuant to stock options and 14,691 shares of restricted stock, awarded under our stock-based compensation plans, and 36,393 shares that such persons own under the Bank's 401(k) plan.
- (12) The percentages shown are based on the 8,592,730 shares of our common stock outstanding as of February 1, 2009, plus the number of shares that the named person or group has the right to acquire within 60 days of February 1, 2009. 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, 2009 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 1, 2009.

Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class Beneficially Owned
Wells Fargo & Company 420 Montgomery Street San Francisco, California 94163(1)	441,949	5.1%

- (1) This information is based on a Schedule 13G dated January 26, 2009 filed by Wells Fargo & Company reporting as of December 31, 2008. The Schedule 13G discloses that Wells Fargo & Company or certain of its subsidiaries have sole power to vote 440,849, and sole dispositive power over 357,323, of these shares.

Table of Contents

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 14 members. Until 2008, our Board was divided into three classes and the members of each class were elected to serve a three-year term, with the term of office for each class ending in consecutive years. At last year's annual meeting, our shareholders approved amendments to our Articles of Incorporation that provided for the phased-in elimination of the classification of our Board and the annual election of our directors. These amendments provide for our directors at this year's annual meeting, and at each future annual meeting, to be elected for one-year terms, though the amendments do not shorten the term of any director elected prior to this year's annual meeting.

Currently our Board has five directors whose terms expire at this year's annual meeting, four directors whose terms expire at the 2010 annual meeting, and five directors whose terms expire at our annual meeting in 2011. Beginning with our annual meeting in 2011, all of our directors will be elected annually.

C. John Gill decided to retire from our Board of Directors effective December 31, 2008. He had served on our Board since we commenced business in 1997. We sincerely thank Mr. Gill for his many years of service. Our Board reduced the number of directors to 14 directors upon Mr. Gill's retirement from the Board.

Our Board of Directors has nominated Doyle A. Hayes, Susan K. Jones, Lawrence W. Larsen, Michael H. Price and Dale J. Visser as directors for election at this year's annual meeting for one year terms expiring at the 2010 annual meeting. Each of the nominees is presently a director whose term expires at this year's annual meeting. The other members of our Board will continue in office in accordance with their previous elections until the expiration of their terms at the 2010 or 2011 annual meetings.

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

The nominees for election as directors and the directors whose terms of office will continue after the annual meeting have provided the following information about themselves. 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.

**Nominees for Re-Election as Directors
for Terms Expiring in 2010
(Present Terms Expire in 2009)**

Doyle A. Hayes, age 58
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 and CEO of Pyper Products Corporation, a plastic injection molding company that supplies the auto and furniture industries. Mr. Hayes has been the President and CEO of Pyper Products Corporation since 1994. Mr. Hayes is also the majority shareholder of TalentTrax LLC, a staffing organization. He has served on several non-profit boards in the Grand

Table of Contents

Rapids community and is currently Board Chair of Metro Health Hospital and Past Chair of the Small Business Association of Michigan (SBAM). Mr. Hayes is a member of the Boards of Directors of Borgess Hospital of Kalamazoo, Davenport Educational System (DES), Grand Valley State University Foundation, VanAndel Global Trade Center, Battle Creek Chamber of Commerce and Grand Valley Metro Council, and a member of the National Small Business Association (NSBA), the Governor's Workforce Commission and the Advisory Board of the Seidman School of Business. Mr. Hayes was formerly a Corporate Director of First Michigan Bank Corporation.

Susan K. Jones, age 59

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 President of the Arts Council of Greater Grand Rapids, Member of the Council of 100 at Northwestern University, 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 member of the Christian Outreach Committee at the Mayflower Congregational Church, and currently serves 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.

Lawrence W. Larsen, age 69

Director since 1997

Mr. Larsen is Chief Executive Officer, President, and owner of Central Industrial Corporation of Grand Rapids, Michigan. He began his employment with Central Industrial Corporation in 1967, and purchased it in 1974. Central Industrial Corporation is a tier one supplier of various components and assemblies to several of the material handling industry's largest forklift truck manufacturers and other related industries. Mr. Larsen founded Jet Products, Inc. in 1970 and served as its Vice President and President until June of 2007 when he sold his interest to an existing officer and employee of the corporation. Jet Products, Inc. designs, sells and manufactures various hydraulic components for the material handling industry. Mr. Larsen is a native of Wisconsin and Illinois. He has spent the last 42 years in the Grand Rapids area. Mr. Larsen served as a director of First Michigan Bank-Grand Rapids from 1980 until June of 1997, and was a member of the Executive Loan Committee and Audit Committee.

Michael H. Price, age 52

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

Mr. Price has over 25 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 served as the past Chairperson of The MBA Group 4 Committee and was a Co-Chair of the Habitat for Humanity of Kent County Capital Campaign, as well as its past Board President. Mr. Price has previously served as Vice Chair of the Board of Kent County Community Mental Health, and as a Board member of Project Rehab.

Table of Contents

Dale J. Visser, age 72
Director since 1997

Mr. Visser is Chairman and one of the owners of Visser Brothers Inc. of Grand Rapids, Michigan. He has served Visser Brothers in various officer positions since 1960. Visser Brothers is a construction general contractor specializing in commercial buildings. Mr. Visser also has an ownership interest in several real estate projects in the Grand Rapids area. Mr. Visser served as a director of First Michigan Bank-Grand Rapids from 1972 until June of 1997. He is a Grand Rapids native and a graduate of the University of Michigan with a degree in civil engineering. Mr. Visser is active in the community and serves on the Board of Directors of Westminster Theological Seminary Foundation and as a Trustee on the Board of Directors for Words of Hope. He has previously served on the Boards of the Grand Rapids YMCA, Christian Rest Home, and West Side Christian School.

Information About Continuing Directors

**Continuing Directors with
Terms Expiring in 2010**

Edward J. Clark, age 64
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 Directors of the Metropolitan YMCA and a member of the Board of Trustees of the Grand Valley State University Foundation. He is Chairman of the Membership Committee of 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 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 Employees' Association.

Calvin D. Murdock, age 69
Director since 1997

Mr. Murdock is President of SF Supply (SF) of Grand Rapids, Michigan. He has held this position since 1994. From 1992 to 1994, he served as the General Manager of SF, and in 1991, served as SF's Controller. SF 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, Mr. Murdock owned and operated businesses in the manufacturing and supply of automobile wash equipment.

Timothy O. Schad, age 61
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 Administration, and Treasurer, of Grand Valley

State University, a master level public

Table of Contents

university with 24,000 students and campuses in Allendale, Grand Rapids, Holland, Muskegon and Traverse City. Mr. Schad has served on the Board 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.

Donald Williams, Sr., age 72

Director since 1998

Mr. Williams is Dean Emeritus of Grand Valley State University. During 2002, he was the Coordinator of the minority students teacher preparation program for the Grand Rapids Public Schools (secondary schools). Mr. Williams has over 30 years of experience in administration of educational programs with special emphasis on political sensitivity and equality. From 1989 to 2001, he was the Dean of Minority Affairs and Director of the Multicultural Center of Grand Valley State University. Mr. Williams also serves as President of the Concerned Citizens Council. He previously served as President of the Rotary Club of Grand Rapids, President of the Coalition for Representative Government (CRG), as a member of the Board of Directors of First Michigan Bank-Grand Rapids and the Grand Rapids Advisory Board of Michigan National Bank, as Treasurer and President of the Minority Affairs Council of Michigan Universities (MACMU), and as a member of the Board of Directors of the Grand Rapids Area Chamber of Commerce. Mr. Williams has been the recipient of numerous awards in the Grand Rapids and Michigan area for community service and job performance, including most recently the Giant Among Giants award. His work has been cited in the Congressional Record of the United States by the late Representative Paul Henry.

**Continuing Directors with
Terms Expiring in 2011**

Betty S. Burton, age 67

Director since 1998

Mrs. Burton is the former owner of a business forms and print solutions distribution company. She was a member of the Board and consultant to Wonderland Business Forms from 1999 to 2002, and its President and Chief Executive Officer from 1995 to 1999. Prior to that, Mrs. Burton was a teacher in the Grand Rapids Public School System for over 25 years. Mrs. Burton is a trustee of both the Grand Valley State University Foundation and the Western Michigan University Foundation. She is a graduate of both universities and also of Dartmouth College Tuck School of Business Minority Executives Program. She has previously served as a member of the Board of Directors of First Michigan Bank-Grand Rapids and Butterworth Hospital. Mrs. Burton is very involved in civic and community activities and serves on several boards in the Grand Rapids area.

David M. Cassard, age 55

Director since 2001

Mr. Cassard is Chairman, Treasurer and a member of the Board of Directors of Waters Corporation, which deals in commercial real estate within the Grand Rapids metropolitan area. He has 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 Board of Directors of First Michigan Bank Corporation and Butterworth Hospital. He holds memberships in several

Table of Contents

professional organizations and societies, including the American Institute of CPAs, the Michigan Association of CPAs, the Grand Rapids Association of Realtors, the National Association of Realtors and the Institute of Real Estate Management.

Peter A. Cordes, age 68

Director since 1997

Mr. Cordes has served as President and Chief Executive Officer of GWI Engineering Inc. (GWI) of Grand Rapids, Michigan, since 1991. GWI is engaged in the manufacturing of industrial automation systems for customers in a variety of industries in the Midwest. Mr. Cordes purchased GWI in 1991 and is now its sole owner. Mr. Cordes graduated from St. Louis University with a degree in aeronautics. He is a native of Traverse City, Michigan and has spent the last twenty years in Western Michigan.

David M. Hecht, age 71

Director since 1997

Mr. Hecht is an attorney and has practiced law for 46 years, including the past 34 years in Grand Rapids. From 1993 through 2001, he was the Chairman of the Grand Rapids law firm of Hecht & Lentz, and was a founder of the firm. Mr. Hecht is a native of Grand Rapids and a graduate of the University of Michigan and the University of Wisconsin. He is the President of the Charles W. Loosemore Foundation, a Trustee of the Grand Valley University Foundation, and Past Chair of the Board of Trustees of Hospice of Michigan.

Merle J. Prins, age 69

Director since 2004

Mr. Prins retired from his positions as Executive Vice President and a member of the Board of Directors of First Michigan Bank Corporation in 1998, after 30 years of service as an officer of First Michigan Bank Corporation and nine years of service on its Board of Directors. Mr. Prins is a member of the Riverview Group, a community advisory group in Holland, Michigan, and a member of the Brownfield Redevelopment Authority for the City of Holland.

Table of Contents**Executive Officers**

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 is also a member of our Board of Directors, and information regarding his business experience is described above under the heading Election of Directors. Mr. Kaminski's and 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.

Robert B. Kaminski, Jr., age 47

Executive Vice President, Chief Operating Officer and Secretary of Mercantile, and President, Chief Operating Officer and Secretary of the Bank

Mr. Kaminski joined the Bank in 1997 and has over 20 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 VSA Arts of Michigan-Grand Rapids-Very Special Arts, and is a career mentor for Aquinas College of Grand Rapids.

Charles E. Christmas, age 43

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 20 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 and as a member of the Ferris State University College of Business Advisory Board. He also serves as a fundraising volunteer

for the Make-A-Wish Foundation of Michigan and the American Cancer Society, and is an Instructor at the Robert Perry School of Banking at Central Michigan University.

Table of Contents

Corporate Governance

Director Independence

Applicable rules of The Nasdaq Stock Market (Nasdaq) require that a majority of our Board of Directors be independent. In February of 2009, 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 Visser. 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 2008, our Board of Directors held a total of 12 meetings. During 2008, each director attended at least 75% of the total number of 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 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 1, 2009, was as follows:

Audit Committee	Compensation Committee	Governance and Nominating Committee
Betty S. Burton	David M. Cassard	Betty S. Burton
David M. Cassard*	Edward J. Clark	Edward J. Clark
David M. Hecht	Peter A. Cordes	Doyle A. Hayes*
Calvin D. Murdock	Lawrence W. Larsen	David M. Hecht
Merle J. Prins	Calvin D. Murdock*	Susan K. Jones
Timothy O. Schad	Merle J. Prins	Lawrence W. Larsen
		Donald Williams, Sr.

* 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 six members and met five times in 2008. 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, Murdock and Schad, 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 of them 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 six members and met four times in 2008. The Compensation Committee assists our Board of Directors in carrying out its responsibilities

Table of Contents

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 their performance;

determining, or recommending to our Board for determination, all elements of compensation for our executive officers;

reviewing compensation and guidelines for director's ownership of our stock;

recommending or making changes in cash compensation for directors; and

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

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 Chairman, President and Chief Executive Officer regarding his compensation, and receives recommendations from him regarding the compensation for our other executive officers.

In 2008, our Compensation Committee retained Almalfi Consulting, LLC to assist it in designing a plan and financial modeling for awarding stock options and restricted stock under our Stock Incentive Plan of 2006. Our executive officers, at the direction of the Compensation Committee, provided Almalfi Consulting with information for the basic components of awards to be included in the award plan and financial modeling. The components included stock options and restricted stock, the intended vesting periods, and the broad range of employees to which the awards were intended to apply. The Compensation Committee reviewed the proposed award plan and financial models that Almalfi Consulting provided, and granted awards under the Stock Incentive Plan of 2006 of the types and with the terms that it deemed appropriate.

Governance and Nominating Committee. The Governance and Nominating Committee has seven members and met four times in 2008. 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 Michigan community 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. Although the Governance and Nominating Committee

Table of Contents

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.

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

The members of our Compensation Committee during 2008 were David M. Cassard, Peter A. Cordes, Lawrence W. Larsen and Calvin D. Murdock. All members of the Compensation Committee are independent directors, and none of them are present or past employees or officers of ours or any of our subsidiaries. No member of the Compensation Committee has had any relationship with us requiring disclosure under Item 404 of SEC Regulation S-K. None of our executive officers has served on the board or compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served on our Board or Compensation Committee.

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, and reviewing the scope of its audit services, and approving audit and permissible non-audit services. The

Table of Contents

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 2008, BDO Seidman, LLP (BDO Seidman), 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 Seidman the overall scope and plan of the audit. In addition, the Audit Committee met with BDO Seidman, with and without management present, to discuss the results of BDO Seidman'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. The Audit Committee has also received from, and discussed with, BDO Seidman the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees) as amended.

The Audit Committee has discussed with BDO Seidman that firm's independence from management and Mercantile, and has received from BDO Seidman the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding BDO Seidman's communications with the Audit Committee concerning independence. The Audit Committee has also considered the compatibility of audit related and tax services with BDO Seidman'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, 2008 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, 2008 for filing with the SEC. The Audit Committee evaluated and appointed BDO Seidman as Mercantile's independent registered public accounting firm for 2009.

Audit Committee

Betty S. Burton
David M. Cassard
David M. Hecht
Calvin D. Murdock
Merle J. Prins
Timothy O. Schad

Table of Contents

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
Peter A. Cordes
Lawrence W. Larsen
Calvin D. Murdock
Merle J. Prins

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.

Table of Contents

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;

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;

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 qualification, experience and responsibilities at financial institutions within our peer group. Our peer group consists of 19 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 bring continuing and increasing value to our shareholders and the communities that we serve.

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.

Table of Contents

The 2008 economic conditions have put significant stress on our earnings. Although we recognize the benefits of establishing bonus plans, we neither established a plan, nor paid our executive officers bonuses, for 2008. Given these unprecedented times, we realize that it is not realistic to increase the salaries or establish bonus plans for our executive officers when we are not profitable. Due to economic and market conditions, and our current level of earnings, we have not increased the salaries of our executive officers or established a bonus plan for 2009. The Compensation Committee intends to evaluate the performance of the Bank during 2009, and determine whether to pay a discretionary bonus for 2009 after completing the evaluation.

Stock Incentive Plan

The overall objective for our stock-based compensation is to provide an equitable and competitive means to reward our executive and other officers for their contribution to our long-range success. Our goal is to meet the following objectives:

link each participant's remuneration to our long-term success through the appreciation of stock price;

align the interests of our officers with the interests of our shareholders, by linking the long-term value of the compensation to shareholder returns;

provide annual long-term incentive awards that are market competitive; and

improve our ability to attract and retain officers.

There is a direct relationship between the value of a stock option and the market price of our common stock. We believe that granting stock options is an effective method of motivating our executive and other officers to manage our business in a manner consistent with the interests of our shareholders. Due to the evolution of regulatory, tax and accounting treatment of stock-based compensation, and the importance of stock-based compensation in retaining and motivating our key employees, we have decided to utilize other forms of stock-based compensation in addition to stock options. For the past three years, we granted restricted stock to our executive officers and other key employees. We believe this is an excellent way to reward them for, and to motivate them toward, superior performance. Restricted stock is an important retention instrument in that it has immediate value to the recipient. Unlike stock option grants that create economic value only if the stock price appreciates above the price at the date of grant, restricted stock provides value and motivation to the recipient even if the stock price declines.

We awarded stock options to our officers based primarily on their performance and title. However, we use no set formula for determining the specific awards that are made. During 2008, we granted stock options to 17 employees. These options covered in aggregate 67,460 shares of our common stock, including 24,560 shares that were granted to our executive officers. The shares covered by the options granted to our executive officers constituted 36% of the shares covered by the options. During 2008, we also awarded 56,710 shares of restricted stock to 127 key employees, including 6,460 shares, or 11% of the total, that were granted to our executive officers. The stock-based awards that we made to our executive officers in 2008 had an aggregate grant date fair value of about 10% of their annual base salaries.

Stock-based awards are generally granted annually in the Fall in conjunction with the review of the performance of our executive and other officers. It is our practice to award grants of stock options and restricted stock to all recipients on the same date. The exercise price for all of the stock options that we granted in 2008 was the closing price of our common stock on Nasdaq on the day the options were granted.

We limit the perquisites that we make available to our executive officers. We believe that providing excessive perquisites to executive officers sends mixed messages to the rest of our employees and can destroy the team effort. Our executive officers are entitled to a few benefits that are not generally

Table of Contents

available to all of our employees. We do not provide a defined benefit pension plan, post-retirement health coverage, or similar benefits for our executive officers or other employees.

During 2008, we provided the following perquisites for our executive officers:

in addition to the general health and insurance plan that we maintain for all of our employees, we provided our executive officers with additional life and disability insurance, and long term care insurance; and

one local country club membership was provided for Mr. Price, which he made significant use of in connection with our business.

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to their chief executive officer or certain other highly compensated officers. Qualifying performance-based compensation is not subject to the deduction limitation if certain requirements are met. We periodically review the potential consequences of Section 162(m) and may structure some or all of the performance-based portion of our executive compensation so that it will not be subject to the deduction limitations of Section 162(m).

We do not have stock ownership requirements or guidelines for our executive officers.

Post-Employment Compensation

We do not provide a defined benefit pension plan or post-retirement health insurance coverage for our executive officers or other employees. Our executive officers and most of our other employees are eligible to participate in our 401(k) plan. For 2008, we provided for each eligible participant a matching contribution to the 401(k) plan. The matching contribution equaled dollar for dollar the participant's contribution to the 401(k) plan, up to a maximum matching contribution of \$11,500. All our executive officers participated in our 401(k) plan during the 2008 plan year.

All employees, except our executive officers, are employees-at-will and do not have an employment agreement. The employment agreements that we have with our executive officers are described below under the heading Employment Agreements. We also do not provide post-employment health insurance coverage or other benefits to any employee, except those provided for executive officers in their employment agreements.

Overview of the Compensation Process

The composition of compensation for our executive officers includes: salary, cash bonus, stock-based awards, health, disability and life insurance and perquisites. The elements of executive compensation are discussed at the meetings of our Compensation Committee. During the Fall of each year, the Compensation Committee discusses the base salaries and cash bonus plan, if any, for the next year for our executive officers, and makes recommendations to the Board of Directors for its approval. The Board of Directors usually approves the Compensation Committee's recommendations; though if it does not, it could ask the Compensation Committee to prepare revised recommendations. At or about the same time, the Compensation Committee grants stock-based awards to our executive and other officers.

As part of the Compensation Committee's process, it meets with our Director of Human Resources and reviews the elements of each executive officer's compensation during the preceding three years. Typically, the Director of Human Resources makes compensation recommendations to the Compensation Committee for each of our executive officers. The Compensation Committee may accept or reject all or any part of such recommendations. As part of our Director of Human Resources' process of formulating her recommendations, she may confer with our Chairman of the Board, President and Chief Executive Officer. Our executive officers are not present when our Director of Human Resources

makes her recommendations, or during the Compensation Committee's deliberations on the compensation of our executive officers.

Table of Contents

Gerald R. Johnson, Jr., who was Mercantile's Chairman of the Board and Chief Executive Officer, retired effective June 30, 2007. Mr. Price was promoted to Chairman of the Board, President and Chief Executive Officer of Mercantile and Chairman of the Board and Chief Executive Officer of the Bank. Mr. Kaminski was promoted to Executive Vice President, Chief Operating Officer and Secretary of Mercantile, and President, Chief Operating Officer and Secretary of the Bank. The job responsibilities and duties previously performed by Mr. Johnson have been absorbed by our remaining executive officers, Messrs. Price, Kaminski and Christmas. The 2008 base salaries set for Messrs. Price, Kaminski and Christmas included a promotion component for the additional job responsibilities that each of the executive officers assumed when Mr. Johnson retired.

Table of Contents**Summary Compensation Table**

The following table provides information regarding the compensation earned by the named executive officers for the three years ended December 31, 2008.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Award (\$)(1)	Change in Pension Value and Non-Equity	Deferred Compensation Earnings (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
						Incentive Plan Compensation (\$)(2)			
Michael H. Price	2008	474,000		24,600	41,300		3,354	32,261	575,515
Chairman of the Board,	2007	427,000	5,500	14,300	23,300		18,447	28,922	517,469
President and Chief Executive Officer of Mercantile, and Chairman of the Board and Chief Executive Officer of the Bank	2006	402,000		1,700	47,900		12,241	22,727	486,568
Robert B. Kaminski, Jr.	2008	305,000		14,700	24,900		14	23,479	368,093
Executive Vice President,	2007	275,000	18,000	8,100	13,700		81	21,317	336,198
Chief Operating Officer and Secretary of Mercantile, and President, Chief Operating Officer and Secretary of the Bank	2006	250,000		900	40,300		65	13,763	305,028
Charles E. Christmas	2008	255,000		12,600	20,900		282	21,546	310,328
Senior Vice President, Chief Financial Officer and Treasurer of Mercantile, and Senior Vice President and Chief Financial Officer of the Bank	2007	231,000	5,500	7,000	11,500		1,552	20,271	276,823
	2006	210,000		900	40,100		1,040	12,866	264,906

(1) Refer to Note 9, Stock-Based Compensation, in the Notes to our Consolidated Financial Statements included in our Annual Report to the SEC on Form 10-K for the year ended December 31, 2008, for the relevant assumptions used to determine the valuation of the stock awards and option awards.

(2) We did not establish a non-equity incentive plan for executive officers for 2008. Non-equity incentive plan compensation was not paid to the executive officers for 2007 or 2006 because the goals established for payments to be made under our plans were not met.

(3)

The amounts shown are the above-market interest credited to the accounts of the executive officers for the applicable year on compensation they have deferred under our non-qualified deferred compensation plan. Interest is considered to be above-market interest to the extent that it exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the rate that corresponds most closely to the rate under the plan at the beginning of each quarter.

- (4) Includes for 2008 (a) matching contributions to the 401(k) plan accounts of Messrs. Price, Kaminski, and Christmas in the amount of \$11,500; (b) life, disability, and long term care insurance premiums paid on policies insuring them; (c) a country club membership for Mr. Price; and (d) cash dividends paid on restricted stock.

Employment Agreements

The Bank and Mercantile have entered into employment agreements with our executive officers, Messrs. Price, Kaminski and Christmas, that provide for their employment, annual base compensation, and severance, confidentiality and non-compete arrangements. Each agreement establishes an employment period that extends an additional year, each December 31, so that as of each December 31, there are three years remaining in the employment period. The annual extension of the employment period can be avoided by the Bank, Mercantile, or the officer giving notice to the others that the employment period is not to be extended.

Table of Contents

The employment agreements provide the officers with annual base salaries for each year in the amounts established from year to year by the Board of Directors of the Bank. The annual base salary for each year may not be less than the amount established for the immediately preceding year. The Board of Directors established the annual base salaries of each of the executive officers for 2008 as follows: for Mr. Price \$474,000, for Mr. Kaminski, \$305,000, and for Mr. Christmas, \$255,000; and set their salaries at the same amounts for 2009. In addition to the annual base salary, the employment agreements provide that the officers are entitled to participate in our employee benefit and incentive compensation plans, including health insurance, life and disability insurance, stock option, profit sharing and retirement plans.

Additional information regarding the employment agreements, including compensation and benefits payable to the officers on termination of employment and officer confidentiality and non-compete obligations, are included below under the heading Potential Payments Upon Termination or Change In Control.

Salary and Bonus Compared to Total Compensation

We have not established a proportion that salary and bonus should be of an executive officer's total compensation. As indicated in the Summary Compensation Table above, the proportion for 2008 that salary and bonus were of total compensation ranged from 82% to 83% for our executive officers.

Grants Of Plan-Based Awards In 2008

The following table provides information regarding the plan-based awards that we made to the named executive officers during the year ended December 31, 2008.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards	Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares	All Other Option Awards: Number of Securities	Grant Date Fair Value of Stock and Option Awards	Grant Date Fair Value of Stock and Option Awards	Grant Date Fair Value of Stock and Option Awards	Grant Date Fair Value of Stock and Option Awards	Grant Date Fair Value of Stock and Option Awards	Grant Date Fair Value of Stock and Option Awards
		Maxi-Target	Maxi-Target	Maxi-Target	Maxi-Target	Maxi-Target	Maxi-Target	Maxi-Target	Maxi-Target	Maxi-Target	Maxi-Target
		(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)	(#)	(\$ / Sh)	(\$)
Michael H. Price	11-25-08							2,960			18,400
	11-25-08								9,000	6.21	20,800
	11-25-08								2,260	6.21	5,200
Robert B. Kaminski, Jr.	11-25-08							1,910			11,800
	11-25-08								7,240	6.21	16,800

Charles E. Christmas	11-25-08	1,590			9,900
	11-25-08		6,060	6.21	14,000

(1) The numbers shown are shares of restricted stock.

Restricted Stock Awards

The stock awards shown in the table above are restricted stock that was awarded to the named executive officers by our Compensation Committee on November 25, 2008, under our Stock Incentive Plan of 2006. The restricted stock is subject to forfeiture and restrictions on transfer until the shares become vested on November 25, 2012. The restricted stock is forfeited if the executive officer ceases to be employed with us prior to the restricted stock vesting; subject to accelerated or prorated vesting as provided for in the applicable restricted stock award agreement in the event of the executive officer's death, disability, retirement, termination other than for cause, a change in control, or exercise of discretion by the Compensation Committee. The executive officers are entitled to receive cash dividends on their restricted stock to the same extent as other holders of our common stock.

Table of Contents

Stock Option Awards

The stock option awards shown in the table above are stock options that were awarded to the named executive officers by our Compensation Committee on November 25, 2008, also under the Stock Incentive Plan of 2006. The stock options granted to Messrs. Kaminski and Christmas vest in full on November 25, 2010. The stock options granted to Mr. Price vest as follows: 9,000 on January 1, 2011 and 2,260 on January 1, 2012. The Compensation Committee may accelerate the vesting of an option in its discretion. Each of the options has an exercise price of \$6.21 per share, which was the closing price of our common stock on Nasdaq on the day the option was granted. Each of these stock options expires on November 24, 2015, subject to earlier termination pursuant to the terms of the plan.

Table of Contents**Outstanding Equity Awards At 2008 Fiscal Year-End**

The following table provides information as of December 31, 2008 regarding equity awards, including unexercised stock options and restricted stock that had not vested, for each of the named executive officers.

Name	Option Awards				Option Expiration Date	Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Awards (#)	Exercise Price (\$)		Number of Shares or Units of Stock That Have Not Vested (#)	Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Payout Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Michael H. Price	3,645			26.612	10/22/2013	1,417	6,100		
	2,893			33.674	10/27/2014	2,445	10,500		
	867			33.674	10/27/2014	2,960	12,700		
	1,852			35.883	11/16/2015				
	2,006			35.883	11/16/2015				
	2,625			37.943	11/15/2013				
		1,365		37.943	11/15/2013				
		2,600		17.740	11/28/2014				
		5,400		17.740	11/28/2014				
		560		17.740	11/28/2014				
Robert B. Kaminski, Jr.		9,000		6.21	11/24/2015				
		2,260		6.21	11/24/2015				
	4,218			8.219	11/08/2010	787	3,400		
	4,018			12.444	10/17/2011	1,575	6,800		
	3,827			16.135	10/16/2012	1,910	8,200		
	2,721		26.612	10/22/2013					
	2,893		33.674	10/27/2014					
	288		33.674	10/27/2014					
	2,364		35.883	11/16/2015					

Edgar Filing: MERCANTILE BANK CORP - Form DEF 14A

	941		35.883	11/16/2015		
	2,310		37.943	11/15/2013		
		5,515	17.740	11/28/2014		
		7,240	6.21	11/24/2015		
Charles E. Christmas	4,660		8.219	11/08/2010	682	2,900
	4,018		12.444	10/17/2011	1,325	5,700
	3,827		16.135	10/16/2012	1,590	6,800
	2,721		26.612	10/22/2013		
	2,893		33.674	10/27/2014		
	2,623		35.883	11/16/2015		
	683		35.883	11/16/2015		
	1,942		37.943	11/15/2013		
		4,630	17.740	11/28/2014		
		6,060	6.21	11/24/2015		

- (1) The vesting dates for the options shown, in the order listed in the column for each officer, are for (a) Mr. Price: October 23, 2004, October 28, 2005, January 1, 2006, November 17, 2006, January 1, 2007, and November 16, 2008; (b) Mr. Kaminski: November 9, 2001, October 18, 2002, October 17, 2003, October 23, 2004, October 28, 2005, January 1, 2006, November 17, 2006, January 1, 2007, and November 16, 2008; and (c) Mr. Christmas: November 9, 2001, October 18, 2002, October 17, 2003, October 23, 2004, October 28, 2005, November 17, 2006, January 1, 2007, and November 16, 2008.
- (2) The vesting dates for the options shown, in the order listed in the column for each officer, are for (a) Mr. Price: January 1, 2009, November 29, 2009, January 1, 2010, January 1, 2011, January 1,

Table of Contents

2011, and January 1, 2012; (b) Mr. Kaminski: November 29, 2009 and November 25, 2010; and (c) Mr. Christmas: November 29, 2009 and November 25, 2010.

- (3) The vesting dates for the shares of restricted stock shown, in the order listed in the column for each officer, are November 16, 2010, November 29, 2011, and November 25, 2012. The shares of restricted stock are subject to forfeiture and restrictions on transfer until they vest.

Option Exercises And Stock Vested In 2008

The following table provides information regarding the exercise of stock options and vesting of restricted stock during 2008 for each of the named executive officers. None of the named executive officers exercised any stock options, and no shares of restricted stock vested, during 2008.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Michael H. Price				
Robert B. Kaminski, Jr.				
Charles E. Christmas				

Nonqualified Deferred Compensation For 2008

The following table provides information regarding our plan that provides for the deferral of compensation for the named executive officers on a basis that is not tax-qualified.

Name	Executive Contributions in Last FY (\$)(1)	Registrant Contributions in Last FY (\$)	Aggregate Earnings in Last FY (\$)(2)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$)(3)
Michael H. Price	145,500		55,198		1,089,363
Robert B. Kaminski, Jr.			206		3,784
Charles E. Christmas	12,750		4,664		92,311

- (1) The full amount of the contribution for each named executive officer is included in the officer's salary for 2008 in the Summary Compensation Table.

- (2) These earnings consist of interest credited monthly at a rate equal to the prime rate as published in the Wall Street Journal, determined quarterly, as of the first day of each quarter. The above-market portion of this interest is reported for each executive officer in the Summary Compensation Table. The amounts so reported are for Mr. Price, \$3,354, Mr. Kaminski, \$14 and Mr. Christmas, \$282. The above-market portion is the amount of the interest that exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the rate that corresponds most closely to the rate established under the deferred compensation plan.
- (3) The amount for each of the named executive officers that was reported as compensation in the Summary Compensation Tables for previous years is for Mr. Price, \$770,748, Mr. Kaminski, \$3,041, and Mr. Christmas, \$62,206.

Executive Deferred Compensation Plan

The information in the table above pertains to our executive officers' participation in the Bank's non-qualified deferred compensation plan. Participants in the plan may elect to defer up to 100% of their salary and other cash compensation each year. Under the plan, the amount of any compensation deferred

Table of Contents

is credited with interest monthly at a rate equal to the prime rate as published in the Wall Street Journal, determined quarterly, on the first day of each quarter.

The plan provides that the Bank will pay to each executive officer, from his deferred compensation account, a lump sum payment or installment payments, whichever he elected, after he leaves employment with us due to normal retirement, early termination, disability, or change of control. If the executive officer dies before leaving employment, the Bank will distribute the payments to the executive officer's designated beneficiary in a lump sum, or installments, if installments were elected. If death occurs during the time that payments are being made, the Bank will distribute the remaining payments to the executive officer's designated beneficiary at the same time and in the same amounts that would have been distributed if the executive officer had not died.

The plan was amended in 2008 to provide participating executive officers with additional options to select specified dates for withdrawal. The ability to select specified withdrawal dates applies to amounts already deferred, as well as amounts that are deferred in the future. The plan and the new withdrawal options are subject to Section 409A of the Internal Revenue Code, which specifies requirements that non-qualified deferred compensation plans must meet in order to avoid adverse tax consequences for participants.

Potential Payments Upon Termination Or Change In Control

We have entered into employment agreements with our executive officers, Messrs. Price, Kaminski and Christmas. Each agreement establishes an employment period that extends an additional year, each December 31, so that as of each December 31, there are three years remaining in the employment period. The annual extension of the employment period can be avoided by giving notice that the employment period is not to be extended. These agreements include provisions that provide compensation and benefits to the executive officers in the event that their employment with us is terminated:

during the employment period, voluntarily by the executive officer for Good Reason, or by us without Cause;

during the employment period, due to disability or death; or

after the employment period and before they reach the age of 65, voluntarily by them if their annual base salary is reduced without Cause, or by us without Cause.

The terms Cause and Good Reason are defined in the employment agreements. Cause includes certain acts of dishonesty and intentional gross neglect, conviction of a felony, and certain intentional breaches of the officer's obligations in the employment agreement relating to confidentiality of our information and not competing with us. Good Reason includes an assignment to the officer of a title or duties that are materially inconsistent with the officer's position, titles, duties or responsibilities, and certain failure by us to comply in a material respect, even after notice to us, with our obligations to the officer under the employment agreement.

Termination During the Employment Period

Each employment agreement provides the executive officer with compensation and benefits in the event that his employment is terminated by us without Cause or the officer elects to terminate his employment for Good Reason during the employment period. In such event, the officer is entitled to receive the greater of (i) his annual base salary through the end of the employment period or (ii) for Mr. Price, \$500,000, and for Mr. Kaminski or Mr. Christmas, \$250,000; in either case payable over 18 months. In addition, in the case of such a termination of employment, the officer is entitled to continue his participation in our life, disability and health insurance plans for 18 months, to the extent permitted under the plans, to an assignment of any assignable term life insurance policies owned by us insuring

his life, and to \$10,000 for out-placement, interim office and related expenses.

Table of Contents

For a termination by us during the employment period to be with Cause, it must be done within 90 days of our learning of the Cause. For a termination by the officer during the employment period to be with Good Reason, it must be done by the officer within 90 days of the officer learning of the Good Reason.

If an executive officer becomes disabled or dies during the employment period, he is entitled to compensation and benefits under his employment agreement. In the event of disability, the officer continues to receive his then current annual base salary through the end of the employment period, and any disability benefits payable under disability plans that we provide. The officer also continues to participate in our life, disability, and health insurance plans, through age 65, to the extent permitted under the plans. If the officer dies during the employment period, we are obligated to pay the officer's legal representative a death benefit. The death benefit for Mr. Price is \$250,000. The death benefit for Mr. Kaminski and Mr. Christmas is \$100,000. In addition, if we own any life insurance insuring the life of the officer, the proceeds of the policies are payable to the named beneficiaries.

In general, stock options granted under the 2000 Employee Stock Option Plan, 2004 Employee Stock Option Plan and Stock Incentive Plan of 2006 that are vested at the time employment terminates may be exercised by the executive officer within three months after his termination of employment. However, if his employment terminates due to death or disability, his vested stock options may be exercised within 12 months after the date of termination, but not later than the expiration date of the option.

Under the employment agreements, in the event that an officer's employment is terminated for Cause, the officer is not entitled to any accrued rights that he may then have under any of our stock option plans. In addition, the Stock Incentive Plan of 2006 provides that all outstanding options granted under the plan are forfeited if an officer's employment is terminated for cause, whether or not the options are vested.

If an executive officer terminates employment due to death, disability or retirement, or we terminate his employment other than for cause, then restricted stock granted under the Stock Incentive Plan of 2006 will be partially vested. The number of shares that will be vested is equal to the number of shares granted to the executive officer multiplied by the number of months that have elapsed since the grant date divided by the number of months in the vesting period. Our Compensation Committee also has discretion to accelerate the vesting of restricted stock.

Each executive officer will also receive a distribution of his account under the deferred compensation plan upon his termination of employment. Distributions will generally be delayed for six months after the termination of employment, to the extent required by Section 409A of the Internal Revenue Code. However, if employment is terminated due to cause, or if an executive officer is subject to a final removal or prohibition order issued by a federal banking agency, then the executive officer will only receive a distribution of his own deferrals, without any interest credits.

Termination After the Employment Period

The employment agreements also provide compensation and benefits in the event that after the employment period and prior to the officer reaching the age of 65, the officer's employment is terminated by us without Cause or the officer's annual base salary is reduced without Cause, and the officer terminates his employment within 90 days of the reduction. In such event, the officer is entitled to receive an amount, for Mr. Price of \$500,000, and for Mr. Kaminski or Mr. Christmas of \$125,000; payable over 18 months. In addition, in the case of such a termination of employment, the officer is entitled to continue his participation in our life, disability and health insurance plans for 18 months, to the extent permitted under the plans, to an assignment of any assignable term life insurance policies owned by us insuring his life, and to \$10,000 for out-placement, interim office and related expenses.

Table of Contents*Obligations of Executive Officers*

Under the employment agreements, the officers agree not to disclose, except as required by law, any confidential information relating to our business or customers, or use any confidential information in any manner adverse to us. In addition, each has agreed that for 18 months following his employment with us, he will not be employed by, or act as a director or officer of, any business engaged in banking within a 50 mile radius of Grand Rapids, Michigan that solicits customers of the Bank.

Table of Potential Payments Upon Termination of Employment

The following table provides information regarding compensation and benefits payable to Messrs. Price, Kaminski and Christmas under the employment agreements or the Stock Incentive Plan of 2006 upon termination of their employment. The amounts shown assume that termination of employment was effective as of December 31, 2008, the last business day of our 2008 fiscal year, and include estimates of the amounts that would be paid. The actual amounts would only be determined upon an officer's termination of employment. The value of restricted stock that would have become vested due to termination of employment without cause, death, disability or retirement is based on the closing stock price of \$4.30 on December 31, 2008.

Name	During Employment Period			After Employment Period and Before Age 65, Termination Without	Retirement at or After Age 65 \$(6)
	Termination Without Cause or for Good Reason \$(1)	Termination Due to Death (\$)	Termination Due to Disability \$(4)	Cause or Due to Base Salary Reduction \$(5)	
Michael H. Price	1,453,571	606,287(2)	1,560,744	531,571	6,287
Robert B. Kaminski, Jr.	943,025	453,737(3)	1,090,187	153,025	3,737
Charles E. Christmas	789,912	453,212(3)	939,812	149,912	3,212

(1) Includes (a) annual base salary through the end of 2011 for Mr. Price, \$1,422,000, Mr. Kaminski, \$915,000, and Mr. Christmas, \$765,000; (b) life, disability and medical insurance premiums for 18 months for Mr. Price, \$15,284, Mr. Kaminski, \$14,288, and Mr. Christmas \$11,700; (c) out-placement, office and related expenses of \$10,000 for each officer; and (d) the value of restricted shares that would have become vested due to termination without cause, for Mr. Price, \$6,287, for Mr. Kaminski, \$3,737 and for Mr. Christmas, \$3,212, which value would not apply and should be subtracted in the case of a termination by the officer for Good Reason.

(2) Includes payment of death benefit from us of \$250,000, and from the applicable insurance companies, supplemental life insurance proceeds of \$300,000 and group term life insurance proceeds of \$50,000, and the value of restricted shares that would have become vested due to death of \$6,287.

- (3) Includes payment of death benefit from us of \$100,000, and from the applicable insurance companies, supplemental life insurance proceeds of \$300,000 and group term life insurance proceeds of \$50,000, and the value of restricted shares that would have become vested due to death of \$3,737 for Mr. Kaminski and \$3,212 for Mr. Christmas.
- (4) Includes (a) annual base salary through the end of 2011 for Mr. Price, \$1,422,000, Mr. Kaminski, \$915,000, and Mr. Christmas, \$765,000; (b) life, disability and medical insurance premiums until age 65 for Mr. Price, \$132,457 (calculated at \$10,189 annually), Mr. Kaminski, \$171,450 (calculated at \$9,525 annually) and Mr. Christmas, \$171,600 (calculated at \$7,800 annually); and (c) the value of restricted shares that would have become vested due to disability, for Mr. Price, \$6,287, for Mr. Kaminski, \$3,737, and for Mr. Christmas, \$3,212. In addition, the executive officers would receive long term disability benefits from the applicable insurance companies for as long as the officer is disabled up to age 65, in the following annual amounts, for Mr. Price, \$116,100, Mr. Kaminski, \$96,000, and Mr. Christmas, \$89,700. If the disability were catastrophic as defined in

Table of Contents

the disability insurance policies, the annual disability benefits in the prior sentence would be about 32% to 53% more, depending on the executive officer.

- (5) Includes (a) for Mr. Price, \$500,000, and Mr. Kaminski and Mr. Christmas, \$125,000; (b) life, disability and medical insurance premiums for 18 months for Mr. Price, \$15,284, Mr. Kaminski, \$14,288, and Mr. Christmas \$11,700; (c) out-placement, office and related expenses of \$10,000 for each officer; and (d) the value of restricted shares that would have become vested due to termination without cause, for Mr. Price, \$6,287, for Mr. Kaminski, \$3,737 and for Mr. Christmas, \$3,212, which value would not apply and should be subtracted in the case of a termination by the officer because of a reduction in his base salary. The amounts are calculated as though the employment period had ended before December 31, 2008.
- (6) Includes the value of restricted shares that would have become vested at retirement. The amounts are calculated as though the officer had reached 65 years of age as of December 31, 2008.

Change in Control

The employment agreements do not contain provisions that provide payments based on the occurrence of a change in control of Mercantile. Options granted under the Stock Incentive Plan of 2006 become fully vested upon a change in control and are exercisable during their remaining term, even if an executive officer's employment terminates during the option term. Shares of restricted stock granted under the Stock Incentive Plan of 2006 become fully vested upon a change in control. A change in control is defined in the Stock Incentive Plan of 2006 as (a) the failure of the continuing directors to constitute a majority of the Board of Directors; (b) the acquisition by any person of ownership of 40% or more of the outstanding common stock of Mercantile; (c) a reorganization, merger or consolidation after which the Mercantile shareholders do not own at least 50% of the value and voting power of the outstanding capital stock of the entity surviving the transaction; (d) a liquidation or dissolution of Mercantile, or a sale of all or substantially all of its assets; or (e) any other change in control transaction that is reportable to the SEC under Item 6(e) of Schedule 14A of Regulation 14A issued under the Securities Exchange Act of 1934.

Each executive officer will also receive a distribution of his account under the deferred compensation plan, if his employment terminates within 12 months after a change in control. The value of each officer's account as of December 31, 2008 is shown above in the table under the heading Nonqualified Deferred Compensation For 2008.

Potential Payments Upon a Change in Control

The following table provides information regarding the value of benefits that would be provided to Messrs. Price, Kaminski and Christmas in the event of a change in control of Mercantile. While we do not have specific change in control agreements, under our Stock Incentive Plan of 2006 there are provisions regarding a change in control. The amounts shown assume that the change in control occurred as of December 31, 2008, the last business day of our 2008 fiscal year, and include estimates of the value of stock options and restricted stock that would be vested upon a change in control. The actual amounts would only be determined upon a change in control.

Name	Accelerated Vesting Upon Change in Control	
	Stock Options (\$)(4)	Restricted Stock (\$)(4)
Michael H. Price (1)	0	29,300

Robert B. Kaminski, Jr. (2)	0	18,400
Charles E. Christmas (3)	0	15,500

(1) Includes options for 21,185 shares, and 6,822 shares of restricted stock that would have vested for Mr. Price.

Table of Contents

- (2) Includes options for 12,755 shares, and 4,272 shares of restricted stock that would have vested for Mr. Kaminski.
- (3) Includes options for 10,690 shares, and 3,597 shares of restricted stock that would have vested for Mr. Christmas.
- (4) Based on the closing stock price for our common stock of \$4.30 per share as of December 31, 2008.

Director Compensation For 2008

The following table provides information about the compensation of our directors for the year ended December 31, 2008.

Name(1)	Fees Earned		Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(3)	All Other Compensation (\$)	Total (\$)
	or Paid in Cash (\$)	Stock Awards (\$)					
Betty S. Burton	35,800		1,270		120		37,190
David M. Cassard	45,450		1,270		712		47,432
Edward J. Clark	32,300		1,270		763		34,333
Peter A. Cordes	33,200		1,270		820		35,290
C. John Gill	31,100		1,270		658		33,028
Doyle A. Hayes	37,900		1,270				39,170
David M. Hecht	37,200		1,270		807		39,277
Susan K. Jones	32,800		1,270		8		34,078
Lawrence W. Larsen	35,700		1,270		776		37,746
Calvin D. Murdock	39,600		1,270		84		40,954
Merle J. Prins	33,700		1,270				34,970
Timothy O. Schad	33,700						33,700
Dale J. Visser	30,200		1,270		641		32,111
Donald Williams, Sr.	35,550		1,270		183		37,003

- (1) Our Chairman of the Board, President and Chief Executive Officer, Mr. Price, who is also a director, has been omitted from this table because he received no special compensation for serving on our Board of Directors. His compensation is included in the Summary Compensation Table.
- (2) No option awards were made to our non-employee directors during 2008. The amounts shown represent the dollar amount recognized for financial statement reporting purposes for 2008 relating to the fair value of option awards made to directors in prior years. These amounts, depending on the director, relate to option awards made in some or all of the years 2001 through 2004. For the relevant assumptions used to determine the valuation of the option awards made in 2004, refer to Note 9, Stock-Based Compensation, in the Notes to our Consolidated

Financial Statements included in our Annual Report to the SEC on Form 10-K for the year ended December 31, 2006. For the relevant assumptions used to determine the valuation of option awards made in 2001, 2002 and 2003, refer to Note 1, Summary of Significant Accounting Policies, in the Notes to our Consolidated Financial Statements included in our Annual Report to the SEC on Form 10-K for the year ended December 31, 2003. As of December 31, 2008, our non-employee directors held the following option awards to acquire our common stock: Mr. Clark, Mr. Cordes, Mr. Hecht, Mr. Larsen, Mr. Visser and Mr. Williams, four option awards each, covering for each an aggregate of 2,487 shares; Mrs. Burton, Mr. Cassard, Mr. Gill, Mr. Hayes, Mrs. Jones and Mr. Murdock, three

Table of Contents

option awards each, covering for each an aggregate of 1,820 shares; and Mr. Prins, one option award, covering 578 shares.

- (3) The amounts shown are the above-market interest credited to the accounts of the directors for 2008 on compensation they have deferred under our non-qualified deferred compensation plan for directors. Interest is considered to be above-market interest to the extent that it exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the rate that corresponds most closely to the rate under the plan at the beginning of each quarter.

Compensation Arrangements for Non-employee Directors

Each of our directors is also a director of the Bank, which is a wholly owned subsidiary of Mercantile. The table above includes compensation earned for service on the Boards of Directors of Mercantile and the Bank. For 2008, our non-employee directors of the Bank were paid an annual retainer of \$12,000, and a fee of \$700 for each meeting of the Board of Directors of the Bank that they attended. In addition, non-employee directors were paid a meeting fee of \$700 for each meeting of the Audit Committee, \$600 for each meeting of the Compensation Committee and the Governance and Nominating Committee, and \$400 for each meeting of other committees of the Board of Directors of the Bank that they attended. Non-employee directors were also paid fees of the same amount for meetings of Mercantile's Board of Directors and its committees, when for Board meetings there was not also a meeting of the Board of Directors of the Bank on the same day, and for committee meetings when there was not also a meeting of a committee of the Board of Directors of the Bank having the same name or function on the same day. For meetings that were held by telephone or other remote communications equipment, the meeting fees were half the amount described above. One annual retainer fee was also paid to each director who served as Chairman of the Audit Committees, the Compensation Committees and the Governance and Nominating Committees of Mercantile's and the Bank's Boards of Directors. The annual retainer is, for the Chairman of the Audit Committees \$6,000, for the Chairman of the Compensation Committees \$4,000, and for the Chairman of the Governance and Nominating Committees \$4,000.

Directors are eligible to receive stock-based awards under our Stock Incentive Plan of 2006 that was approved by our shareholders at their 2006 annual meeting, but no awards were made to directors under the plan for 2008. The Compensation Committee of our Board of Directors reviews director compensation at least annually, and recommends to our Board of Directors for approval any changes that the Compensation Committee deems appropriate. For 2009, the annual retainer for directors has been set at \$5,000. Meeting fees for directors and the annual retainer for serving as a chairman of committees, have been set for 2009 at one-half of the amounts that were paid for 2008.

Director Deferred Compensation Plan

Directors are eligible to participate in the Bank's non-qualified deferred compensation plan for directors. Directors who participate in the plan may elect to defer up to 100% of their annual retainer and meeting fees. Under the plan, the amount of any director's fees that are deferred are credited with interest quarterly at a rate equal to the prime rate as published in the Wall Street Journal, determined quarterly, on the first day of each quarter.

The plan provides that the Bank will pay to each director, from his or her deferred compensation account, a lump sum payment, or installment payments, whichever is elected, after the director's term of office as a director ends. If installment payments are elected, the maximum payment period is ten years. In the event that a director dies before his or her term of office ends, the Bank will distribute the payments to the director's designated beneficiary in a lump sum, or installments, if installments were elected. If death occurs during the time that payments are being made, the Bank will distribute the

Table of Contents

remaining payments to the director's designated beneficiary at the same time and in the same amounts that would have been distributed if the director had not died.

The plan was amended in 2008 to provide participating directors with additional options to select specified dates for withdrawal. The ability to select specified withdrawal dates applies to amounts already deferred, as well as amounts that are deferred in the future. The plan and the new withdrawal options are subject to Section 409A of the Internal Revenue Code, which specifies requirements that non-qualified deferred compensation plans must meet in order to avoid adverse tax consequences for participants.

Transactions with Related Persons

We have a written policy requiring that our Audit Committee review and approve related person transactions that involve us and are of the type that are required to be disclosed in our proxy statement by SEC rules. A transaction may be a related person transaction if any of our directors, executive officers, owners of more than 5% of our common stock, or their immediate family have a material interest in the transaction and the amount involved exceeds \$120,000. The policy authorizes the Audit Committee to approve a related person transaction if it determines that the transaction is at least as favorable to us as would have been expected if the transaction had been with a person who is not related to us, or is in our best interest. The policy does not cover loan transactions described in the next paragraph, which are generally subject to approval by the Bank's Board of Directors to the extent required by applicable banking laws and regulations.

The Bank has had, and expects in the future to have, loan transactions in the ordinary course of business with our directors, executive officers, or their immediate family, or companies they have a material interest in, on substantially the same terms as those prevailing for comparable transactions with others. All such transactions (i) were made in the ordinary course of business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Bank, and (iii) did not involve more than the normal risk of collectibility or present other unfavorable features.

We have a correspondent banking relationship with Wells Fargo Bank, National Association (Wells Fargo Bank). Wells Fargo & Company, with several of its subsidiaries, including Wells Fargo Bank, has reported that they beneficially owned in aggregate more than 5% of our outstanding common stock as of December 31, 2008. Since 2004, we have had a correspondent banking relation with Wells Fargo Bank. We maintain a correspondent checking account with it through which we conduct certain foreign currency transactions, including wire transfers, drafts and check processing. During 2008, the average balance of our correspondent checking account with Wells Fargo Bank was \$378,000, and we paid service charges totaling \$4,300. At no time during 2008 did we have a lending arrangement with Wells Fargo Bank. We expect to continue our relationship with Wells Fargo Bank in 2009, and to have transactions with them in 2009 that are similar in nature and size to those that occurred in 2008, though varying with our needs and best interests.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than 10% of our common stock, to file reports of ownership and changes in ownership with the SEC. Based on a review of filings, we believe that all reports required to be filed under Section 16(a) for 2008 were timely filed, except that our director, Merle J. Prins, filed one report late relating to one purchase of Mercantile stock.

Table of Contents**Independent Registered Public Accounting Firm****Selection of Independent Registered Public Accounting Firm**

Our Audit Committee has selected BDO Seidman as our independent registered public accounting firm for the year ending December 31, 2009. Representatives of BDO Seidman plan to attend the annual meeting of shareholders, will have the opportunity to make a statement if they desire to do so, and will respond to appropriate questions by shareholders.

Principal Accountant Fees and Services

The following table shows the fees for audit and other professional services provided to us by BDO Seidman for 2008 and 2007.

	2008	2007
Audit Fees (1)	\$ 259,581	\$ 227,615
Audit-Related Fees (2)	15,000	14,000
Tax Fees (3)	0	7,500
All other fees	0	0

- (1) Includes the fees billed for professional services rendered for the audit of our annual financial statements and internal control over financial reporting, review of financial statements included in our quarterly reports on Form 10-Q and accounting related consultations.
- (2) Principally audit of employee benefit plan for 2008 and 2007.
- (3) For 2007, principally a cost segregation study.

The Audit Committee's policy is to pre-approve all audit services and non-audit services that are to be performed for us by our independent auditor. Under the Audit Committee's policy, authority to pre-approve permitted services has been delegated to two members of the Audit Committee, either of whom can act alone, for circumstances when pre-approval is not obtained from the full Audit Committee. Any pre-approval by the delegated authority is required to be reported to the Audit Committee at its next meeting. All of the services described in the table above were pre-approved by the Audit Committee.

Change of Accountants

On September 14, 2006, our Audit Committee concluded its proposal process for selection of an independent registered public accounting firm for 2007, and appointed BDO Seidman as our independent registered public accounting firm for the calendar year ended December 31, 2007. On the same date, our Audit Committee determined to dismiss Crowe Chizek as our independent registered public accounting firm after it completed its work for the calendar year ended December 31, 2006, and advised Crowe Chizek that it would not be engaged as our independent registered public accounting firm for the calendar year ended December 31, 2007.

The audit reports of Crowe Chizek on our consolidated financial statements as of and for the years ended December 31, 2006 and 2005, and on management's assessment of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2006 and 2005, did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two most recent calendar years and any subsequent interim period prior to the date that Crowe Chizek was advised that it would be dismissed and would not be engaged as the Company's independent registered public accounting firm for the calendar year ending December 31, 2007, there have been no disagreements between us and Crowe Chizek on any matters of accounting principle or

Table of Contents

practice, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to its satisfaction, would have caused Crowe Chizek to make reference to the subject matter of such disagreements in connection with its reports. During the period described in the preceding sentence, there were no reportable events as defined in Item 304(a)(1)(iv) or (v) of Regulation S-K of the SEC.

During the two calendar years ended December 31, 2005 and 2004, and from December 31, 2005 through the date we appointed BDO Seidman as our independent registered public accounting firm for the calendar year ended December 31, 2007, neither we nor anyone on our behalf consulted BDO Seidman with respect to any accounting or auditing issues involving us. In particular, there was no discussion with BDO Seidman regarding the application of accounting principles to a specified transaction, the type of audit opinion that might be rendered on the financial statements, or any matter that was either the subject of a disagreement with Crowe Chizek on accounting principles or practices, financial statement disclosure or auditing scope or procedures, which, if not resolved to the satisfaction of Crowe Chizek, would have caused Crowe Chizek to make reference to the matter in its reports, or a reportable event as defined in Item 304(a)(1)(iv) or (v) of SEC Regulation S-K.

Shareholder Proposals for 2010 Annual Meeting

A proposal submitted by a shareholder for the 2010 annual meeting of shareholders must be sent to the Secretary, Mercantile Bank Corporation, 310 Leonard Street NW, Grand Rapids, Michigan 49504 and received by November 13, 2009 in order to be eligible to be included in our proxy statement for that meeting.

A shareholder who intends to present a proposal for the 2010 annual meeting of shareholders, other than pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, must provide us with notice of such intention by at least January 27, 2010, or the persons named in the proxy to vote the proxies will have discretionary voting authority at the 2010 annual meeting with respect to any such proposal without discussion of the matter in our proxy statement.

Other Matters

Our Board of Directors does not know of any other matters to be brought before the annual meeting. If other matters are presented upon which a vote may properly be taken, it is the intention of the persons named in the proxy to vote the proxies in accordance with their best judgment.

Table of Contents

MERCANTILE BANK CORPORATION
310 LEONARD STREET NW
GRAND RAPIDS, MI 49504

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE SHAREHOLDER COMMUNICATIONS

If you would like to reduce the costs incurred by Mercantile Bank Corporation in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Mercantile Bank Corporation, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK
 BLOCKS BELOW IN
 BLUE OR BLACK INK AS
 FOLLOWS:

MCNTL1 KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

Mercantile Bank Corporation

**THE BOARD OF DIRECTORS
 RECOMMENDS A VOTE
 FOR ITEM 1.**

For	Withhold	For
All	All	All
		Except

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

Vote on Directors

1.	ELECTION OF DIRECTORS	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	Nominees:			

- 01) Doyle A. Hayes
- 02) Susan K. Jones
- 03) Lawrence W. Larsen
- 04) Michael H. Price
- 05) Dale J. Visser

2. In their discretion, upon such other matters that may properly come before the meeting or any adjournments or postponements thereof.

The shares represented by this proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder(s). **If no direction is made, this proxy will be voted FOR all nominees listed in item 1. If any other matters properly come before the meeting, the persons named in this proxy will vote in their discretion.**

For address changes and/or comments, please check this box and write them on the back where indicated.

- o Please sign your name exactly as it appears hereon. When signing as attorney, executor, administrator, trustee or guardian, please add your title as such. When signing as joint tenants, all parties in the joint tenancy must sign. If a signer is a corporation, please sign in full corporate name by duly authorized officer.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com

MCNTL2

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
ANNUAL MEETING OF SHAREHOLDERS**

April 23, 2009

The shareholder(s) hereby appoint(s) Timothy O. Schad and Merle J. Prins, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this proxy, all of the shares of common stock of Mercantile Bank Corporation that the shareholder(s) is/are entitled to vote at the annual meeting of shareholders to be held on April 23, 2009, and any and all adjournments or postponements thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE SHAREHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED ON THE REVERSE SIDE FOR THE BOARD OF DIRECTORS.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE

Address Changes/Comments:

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

CONTINUED AND TO BE SIGNED ON REVERSE SIDE