
Section 1: 11-K (FORM 11-K)

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

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission File No. 000-26719

Mercantile Bank of Michigan

401(k) Plan

Mercantile Bank Corporation
310 Leonard Street, NW
Grand Rapids, Michigan 49504
(616) 406-3000

REQUIRED INFORMATION

THE MERCANTILE BANK OF MICHIGAN 401(K) PLAN IS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 (ERISA). IN LIEU OF THE REQUIREMENTS OF ITEMS 1, 2 AND 3 OF FORM 11-K FOR ANNUAL REPORTS, THE FINANCIAL STATEMENTS AND SCHEDULES OF THE PLAN FOR THE TWO YEARS ENDED DECEMBER 31, 2016 AND 2015, WHICH HAVE BEEN PREPARED IN ACCORDANCE WITH THE FINANCIAL REPORTING REQUIREMENTS OF ERISA, ARE INCLUDED IN THIS REPORT.

Mercantile Bank of Michigan
401(k) Plan

Financial Statements
And Supplemental Schedule
Years Ended December 31, 2016 and 2015

Mercantile Bank of Michigan 401(k) Plan

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Report of Independent Registered Public Accounting Firm

To the Plan Administrator
Mercantile Bank of Michigan 401(k) Plan
Grand Rapids, Michigan

We have audited the accompanying statements of net assets available for benefits of the Mercantile Bank of Michigan 401(k) Plan (the “Plan”) as of December 31, 2016 and 2015, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016 and 2015, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental Schedule of Assets (Held at End of Year) as of December 31, 2016 has been subjected to audit procedures performed in conjunction with the audit of the Plan’s financial statements. The supplemental schedule is the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ BDO USA, LLP

Grand Rapids, Michigan
June 28, 2017

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Mercantile Bank of Michigan 401 (k) Plan

Statements of Net Assets Available for Benefits

<i>December 31,</i>	2016	2015
Assets		
Investments, at fair value		
Mutual funds	\$ 39,094,270	\$ 37,222,474
Mercantile Bank Corporation common stock	18,656,297	13,863,750
Money market fund	1,739,766	2,267,555
Total investments	59,490,333	53,353,779
Notes receivable from participants	583,315	687,038
Accrued income	7,716	7,281
Net Assets Available for Benefits	\$ 60,081,364	\$ 54,048,098

See accompanying notes to financial statements.

Mercantile Bank of Michigan 401(k) Plan**Statements of Changes in Net Assets Available for Benefits**

<i>Year ended December 31,</i>	2016	2015
Additions		
Investment income		
Net appreciation in fair value of investments	\$ 8,761,505	127,075
Interest and dividends	1,515,302	2,283,790
Total investment income	10,276,807	2,410,865
Contributions		
Employer	1,194,345	1,203,061
Employee	2,174,368	2,146,981
Rollover	168,716	537,074
Total contributions	3,537,429	3,887,116
Interest from notes receivable	26,879	36,786
Total Additions	13,841,115	6,334,767
Deductions		
Benefits paid to participants	7,670,541	7,471,954
Administrative expenses	137,308	140,823
Total Deductions	7,807,849	7,612,777
Net increase (decrease)	6,033,266	(1,278,010)
Net Assets Available for Benefits, beginning of year	54,048,098	55,326,108
Net Assets Available for Benefits, end of year	\$ 60,081,364	\$ 54,048,098

See accompanying notes to financial statements.

Mercantile Bank of Michigan 401(k) Plan

Notes to Financial Statements

1. Plan Description

The following description of Mercantile Bank of Michigan 401(k) Plan (Plan) provides only general information. Participants should refer to the Plan Agreement or Summary Plan Description for a more complete description of the Plan's provisions.

General

The Plan was established by the Plan Sponsor, Mercantile Bank of Michigan (Bank), effective January 1, 1998. The Plan was amended and restated effective January 1, 2013. The Plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA).

Eligibility and Enrollment

The Plan is a defined contribution plan covering eligible employees who have completed a minimum of one hour of service. Eligible employees can enter the Plan on the first day of the month following date of hire. For newly eligible employees, the Plan provides automatic enrollment for the employee at an amount equal to 3% of compensation, until such time as the employee elects a different percentage or elects no contributions.

Contributions

Elective deferrals by participants under the Plan provisions are based on a percentage of their compensation, subject to certain limitations as defined by the Plan Agreement. Participants may also make after tax Roth contributions, and may roll over account balances from other qualified defined benefit or defined contribution plans into their account.

The Bank makes safe harbor matching contributions equal to 100% of the first 4.25% of compensation deferred by each participant subject to certain limitations as specified in the Plan Document. The Bank may also make a discretionary profit sharing contribution subject to certain limitations as specified in the Plan Agreement. There were no profit sharing contributions in 2016 and 2015.

Participant Accounts

Each participant's account is credited with the participant's contributions, allocations of the Bank's matching contribution and Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. Participants may direct the investment of their account balances into various investment options offered by the Plan.

Vesting

Participants are immediately vested in their elective deferrals and all employer contributions and earnings thereon.

Mercantile Bank of Michigan 401(k) Plan

Notes to Financial Statements

Notes Receivable From Participants

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. The notes are secured by the balance in the participant's account and bear interest at rates that are commensurate with local borrowing rates. Interest rates on notes receivable outstanding as of December 31, 2016 ranged from 3.25% to 7.75%. Principal and interest is paid ratably through payroll deductions over a period not to exceed five years, unless the notes were used to purchase a primary residence, in which case the note terms shall not exceed ten years.

Payment of Benefits

Upon separation of service, death, disability or retirement, a participant or his or her beneficiary will receive a distribution of the participant's account as a lump-sum amount. A participant may receive the portion of his or her account invested in Mercantile Bank Corporation common stock in either common shares or cash. Additionally, under certain circumstances of financial hardship, participants are allowed to withdraw funds from the Plan.

Administrative Expenses

Certain administrative expenses are paid by the Plan Sponsor. Certain fees incurred as a result of participant-directed transactions (e.g., participant loan origination and distribution fees) are charged directly to the participant's account. A trustee fee is paid to Greenleaf Trust, which is calculated quarterly based on the market value of the Plan assets and allocated to participant accounts on a quarterly basis.

In July 2015, the FASB issued Accounting Standards Update 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965), (ASU 2015-12): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient*. This three-part update simplifies current benefit plan accounting and requires (i) fully benefit-responsive investment contracts to be measured, presented, and disclosed only at contract value and accordingly removes the requirement to reconcile their contract value to fair value; (ii) benefit plans to disaggregate their investments measured using fair value by general type, either on the face of the financial statements or in the notes to the financial statements; (iii) the net appreciation or depreciation in investments for the period to be presented in the aggregate rather than by general type, and removes certain disclosure requirements relevant to individual investments that represent five percent or more of net assets available for benefits. Further, the amendments in this update eliminate the requirement to disclose the investment strategy for certain investments that are measured using Net Asset Value (NAV) per share. These amendments are effective retrospectively for fiscal years beginning after December 15, 2015 and early adoption is permitted. This update also provides a practical expedient to permit employee benefit plans to measure investments and investment-related accounts as of the month-end that is closest to the plan's fiscal year-end, when the fiscal period does not coincide with a month-end, while requiring certain additional disclosures. This portion of the update is effective prospectively for fiscal years beginning after December 15, 2015 and early adoption is permitted.

Plan management reviewed ASU 2015-12, and decided to early adopt this standard for the Plan year ended December 31, 2015 as they believed it simplified Plan accounting and its presentation in the financial statements. As such, the accounting and disclosures in these financial statements and notes follow ASU 2015-12.

Mercantile Bank of Michigan 401(k) Plan

Notes to Financial Statements

2. Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared under the accrual method of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes therein. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements.

Concentration of Credit Risk

At December 31, 2016 and 2015, approximately 31% and 26%, respectively, of the Plan's assets were invested in Mercantile Bank Corporation common stock. A significant decline in the market value of the common stock would significantly affect the net assets available for benefits.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset (an exit price) in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. See Note 3 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable – Participant Loans

Participant loans are classified as notes receivable from participants, and are measured at the unpaid principal balance plus unpaid accrued interest. Defaulted loans, if any, are reclassified as distributions based upon the terms of the Plan Document.

Payment of Benefits

Benefits are recorded when paid.

Mercantile Bank of Michigan 401(k) Plan**Notes to Financial Statements****3. Investments**

In accordance with ASC 820, *Fair Value Measurements and Disclosures*, the Plan utilizes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, and other inputs that are observable or can be corroborated by observable market data.

Level 3 - Inputs to the valuation methodology are both significant to the fair value measurement and unobservable.

The following valuation methodologies were used to measure the fair value of the Plan's investments. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Money market and mutual funds - Valued at quoted market prices in an exchange and active market, which represent the NAV of shares held by the Plan.

Mercantile Bank Corporation common stock - Valued at the closing price reported on the active market on which the security is traded.

The Plan's valuation methods may result in a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although Plan management believes the valuation methods are appropriate and consistent with the market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The tables below set forth by level within the fair value hierarchy the Plan's investments as of December 31, 2016 and 2015. There have been no significant transfers in or out of Levels 1, 2 or 3 in 2016 or 2015.

<i>December 31, 2016</i>	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 39,094,270	\$ -	\$ -	\$ 39,094,270
Common stock	\$ 18,656,297	-	-	18,656,297
Money market fund	\$ 1,739,766	-	-	1,739,766
Investments, at fair value	\$ 59,490,333	\$ -	\$ -	\$ 59,490,333

Mercantile Bank of Michigan 401(k) Plan

Notes to Financial Statements

<i>December 31, 2015</i>	Investments at Fair Value			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 37,222,474		\$ 37,222,474	
Common stock	\$ 13,863,750			13,863,750
Money market fund	\$ 2,267,555			2,267,555
Investments, at fair value	\$ 53,353,779	\$	\$	\$ 53,353,779

4. Related Party Transactions

Parties-in-interest are defined under Department of Labor (DOL) regulations as any fiduciary of the Plan, any party rendering service to the Plan, the employer and certain other parties. Professional fees for the administration and audit of the Plan are paid by the Bank.

The 494,862 and 564,945 shares of Mercantile Bank Corporation common stock held by the Plan as of December 31, 2016 and 2015, respectively, represent approximately 3.01% and 3.45% of the Corporation's outstanding shares as of December 31, 2016 and 2015, respectively.

Cash dividends of \$584,852 and \$368,702 were paid to the Plan by Mercantile Bank Corporation during 2016 and 2015, respectively.

5. Plan Termination

Although it has not expressed any intent to do so, the Bank has the right under the Plan to terminate the Plan, subject to the provisions of ERISA.

6. Tax Status

The Internal Revenue Service has determined and informed the Bank by a letter dated August 7, 2014 that the amended and restated Plan effective January 1, 2013 and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter; however, the Plan Administrator believes that the Plan is designed and is being operated in compliance with the applicable requirements of the IRC. The related trust, therefore, is not subject to tax under present tax law.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Administrator has analyzed the tax positions taken by the Plan and has concluded that as of December 31, 2016 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there currently are no audits for any tax periods in progress.

Mercantile Bank of Michigan 401(k) Plan**Schedule H, Line 4i – Schedule of Assets (Held at End of Year)**EIN: 38-3360868
Plan Number: 001

December 31, 2016

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
Mutual funds				
	Blackrock Equity Dividend Fund	98,907 shares	**	\$ 2,230,350
	Fidelity Advisor New Insights	69,794 shares	**	1,882,335
	Franklin Small Cap Value R6	15,664 shares	**	896,136
	Goldman Sachs Mid Cap Value Fund	18,419 shares	**	682,959
	Hartford International Opportunities Y	73,467 shares	**	1,099,797
	Prudential Jennison Small Cap Z Fund	30,097 shares	**	717,816
	T Rowe Price Mid Cap Growth Fund	13,781 shares	**	1,038,499
	Vanguard 500 Index Admiral Shares	16,341 shares	**	3,375,463
	Vanguard Mid Cap Index Admiral Shares	6,623 shares	**	1,079,122
	Vanguard Small Cap Index Admiral Shares	14,420 shares	**	890,706
	Delaware Emerging Market	26,125 shares	**	380,117
	Matthews Pacific Tiger Fund	13,847 shares	**	317,385
	Vanguard Total International Index Admiral	43,488 shares	**	1,071,116
	T Rowe Price Balanced I Fund	58,500 shares	**	621,268
	T Rowe Price Personal Income Fund	62,585 shares	**	1,127,157
	T Rowe Price Retirement 2010 Fund	21,346 shares	**	230,532
	T Rowe Price Retirement 2015 Fund	98,736 shares	**	1,074,244
	T Rowe Price Retirement 2020 Fund	395,338 shares	**	4,340,816
	T Rowe Price Retirement 2030 Fund	621,285 shares	**	6,908,685
	T Rowe Price Retirement 2040 Fund	378,851 shares	**	4,250,703
	T Rowe Price Retirement 2045 Fund	115,008 shares	**	1,290,389
	T Rowe Price Retirement 2050 Fund	115,510 shares	**	1,296,026
	T Rowe Price Retirement 2060 Fund	1,802 shares	**	20,071
	Vanguard Intermediate Term Treasury Admiral	41,406 shares	**	459,195
	Vanguard Short Term Treasury ADM	19,205 shares	**	204,346
	Vanguard Short Term Invest Grade Fund Admiral	41,071 shares	**	436,580
	Vanguard Total Bond Market Admiral Shares	110,090 shares	**	1,172,457
	Total mutual funds			39,094,270
Common stock				
*	Mercantile Bank Corporation	494,862 shares	**	18,656,297
Money market fund				
	Northern Institutional Treasury Portfolio	1,739,766 shares	**	1,739,766
	Total Investments, at Fair Value			\$ 59,490,333
*	Notes Receivable From Participants	(3.25% to 7.75%)		\$ 583,315

** A party-in-interest as defined by ERISA.*

*** The cost of participant-directed investments is not required to be disclosed.*

Exhibit to Report on Form 11-K

Exhibit No.	Exhibit Description
23.1	Consent of Independent Registered Public Accounting Firm

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee (or other persons who administer the employee benefit plan) has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Mercantile Bank of Michigan
401(k) Plan

Date: June 28, 2017

By: /s/ Lonna L. Wiersma
Lonna L. Wiersma, Plan Administrator

Exhibit Index

<u>Exhibit No.</u>	<u>Exhibit Description</u>
23.1	Consent of Independent Registered Public Accounting Firm

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Section 2: EX-23.1 (EXHIBIT 23.1)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Mercantile Bank of Michigan 401(k) Plan
Grand Rapids, Michigan

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-170026, 333-117763 and 333-152254) of our report dated June 28, 2017 relating to the financial statements and supplemental schedule of Mercantile Bank of Michigan 401(k) Plan which appears in this Form 11-K for the year ended December 31, 2016.

/s/ BDO USA, LLP

Grand Rapids, Michigan
June 28, 2017

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