

**MERCHANTS BANCORP**

1290 NE Burnside Rd.  
P.O. Box 504  
Gresham, Oregon 97030  
(503) 661-8688

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 22, 2010**

The annual meeting of shareholders of Merchants Bancorp (here after referred to as the “Company”) will be held at 7:00 p.m. on Thursday, April 22, 2010, at the Main MBank Branch, located at 1290 NE Burnside Road, Gresham, Oregon. At the meeting we will ask you to:

1. To elect five directors to serve one-year terms and until their successors are duly elected and qualified;
2. Ratify the appointment of Moss Adams LLP as independent auditors for the fiscal year ending December 31, 2010; and
3. To transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof.

If you were a shareholder of record at the close of business on February 26, 2010, you may vote at the annual meeting or any adjournments or postponements thereof.

Further information regarding voting rights and the business to be transacted at the annual meeting is given in the accompanying proxy statement. The Annual Report can be found on the company’s website at [www.mbankonline.com/Investorrelations](http://www.mbankonline.com/Investorrelations). We appreciate your continued interest as a shareholder in the affairs of our company.

BY ORDER OF THE BOARD OF DIRECTORS

H. Rex Brittle, President and CEO

March 22, 2010  
Gresham, Oregon

**YOUR VOTE IS IMPORTANT**

**WE CORDIALLY INVITE ALL SHAREHOLDERS TO ATTEND THE ANNUAL MEETING PERSONALLY. WHETHER OR NOT YOU ARE ABLE TO ATTEND, PLEASE BE SURE TO SIGN, DATE AND PROMPTLY RETURN YOUR PROXY IN THE ENCLOSED PREPAID ENVELOPE.**

## **PROXY STATEMENT**

### **ANNUAL MEETING OF SHAREHOLDERS OF MERCHANTS BANCORP APRIL 22, 2010**

Our annual shareholders meeting will be held at 7:00 p.m. on Thursday, April 22, 2010, at the Main MBank Branch, located at 1290 NE Burnside Road, Gresham, Oregon. At the meeting we will ask you to vote on the election of five directors and the ratification of the appointment of Moss Adams LLP as independent auditors for the year ending December 31, 2010. If you owned shares of common stock of record as of February 26, 2010, you may vote at the annual meeting.

We are sending you this proxy statement and the enclosed form of proxy to provide you with important information about the business to take place at the meeting. We are providing this information so that you will be fully informed when you vote your shares.

The Board of Directors is soliciting proxies to be used at the meeting. You do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy. You may still attend the meeting even if you have submitted a proxy. You should be aware that simply attending the meeting will not, of itself, revoke a proxy.

We are mailing this proxy statement and form of proxy to shareholders on or about March 22, 2010. We are paying the entire cost of solicitation of proxies, including expenses incurred by banks, brokers, and other nominees in forwarding soliciting materials to their principals and obtaining authorization for the execution of proxies.

### **BUSINESS OF THE MEETING**

#### **Agenda Item 1. Election of Directors**

At the meeting, you will be asked to vote on the election of five directors. Directors are elected by a plurality of votes, which means that nominees receiving the most votes are elected regardless of how many votes they receive. You may not cumulate votes in the election of directors. Rather, each shareholder may cast votes for each of the open positions equal to the number of shares held.

Our bylaws provide for a Board of Directors consisting of not less than five and not more than nine directors, with the exact number determined from time to time by resolution of the Board of Directors. The Board of Directors has set the number of directors at five. The Board of Directors is nominating the following individuals for election to serve one-year terms. All of the nominees are currently serving as directors of the Company and of MBank.

H. Rex Brittle  
Gary J. Delorit

Charles R. Maples  
Stanley C. Morris

Fred W. Bruning

If you submit a completed proxy, the individuals named as proxy holders will vote your shares as you instruct. If you do not specify your choices, then the persons named in the proxy will vote FOR the election of the nominees listed above.

If any of the nominees is not available for election, your shares will be voted for a substitute nominee chosen by the Board of Directors. We believe all nominees will be available for election. *The Board of Directors recommends a vote FOR the election of all nominees.*

### **Information about our Directors**

**H. Rex Brittle**, age 64, Chairman of the Board of Merchants Bancorp, has served as a Director since 1995. He served as President and CEO of MBank from 1995 to 2006 and continued as CEO until his retirement on December 31, 2007. Mr. Brittle returned as CEO in March of 2009 and became President and CEO upon the resignation of Thomas Perrick. He is a graduate of the Northwest Intermediate Banking School and the Pacific Coast Banking School.

**Gary J. Delorit**, age 68, Director, is a retired physician and an owner of the East Portland Ear, Nose & Throat Clinic. Dr. Delorit is also active in commercial real estate investment. He is a graduate of the Oregon Bank Directors College and has served as a Director since 1995.

**Charles R. Maples**, age 71, Director, is a retired pharmacist. He is an active investor and previously owned IPAC Pharmacy Services and several Portland area pharmacies. He is a graduate of the Oregon Bank Directors College and has served as a Director since April of 2003.

**Stanley C. Morris**, age 65, Director, is retired; he was the owner of Bateman-Carroll Chapel in Gresham, Oregon. Mr. Morris is an active investor and has been an active member of the Gresham community, including serving as a member of the Gresham City Council. He is a graduate of the Oregon Bank Directors College and has served as a Director since 1995.

**Fred W. Bruning**, age 59, Director, President of Centercal Properties, LLC, is a developer of such properties as Gresham Station, Mall 205, Bridgeport Village and Cascade Station. Mr. Bruning is a member of the California Bar Association, the International Council of Shopping Centers and the Urban Land Institute. He is a graduate of the Oregon Bank Directors College has served as Director since October of 2004.

### **Executive Officers**

In addition to H. Rex Brittle, about whom information is provided above, the following individuals serve as executive officers of Merchants Bancorp and MBank:

**Ronald L. Shoemake**, age 61, serves as Executive Vice President and Chief Operating Officer of Merchants Bancorp and the Bank. Mr. Shoemake has over 29 years of banking experience and has been with the Bank since its organization.

**Michael L. Czajka**, age 52, serves as Executive Vice President and Chief Credit Officer of Merchants Bancorp and the Bank. Mr. Czajka has over 27 years of banking experience primarily in community bank commercial lending and is a graduate of the Commercial Real Estate Lending School at Michigan State University. He has been with the Bank since its organization.

**Jefry A. Baker**, age 38, serves as Executive Vice President and Chief Financial Officer of Merchants Bancorp and the Bank. Mr. Baker, a CPA, has held senior management positions at KPMG, LLP and Symonds, Evans and Company, P.C. where he provided audit and advisory services to Northwest based clients involving a number of banks. Mr. Baker joined the Bank in December of 2005.

### **Transactions with Management**

From time to time, some of our directors and officers, members of their immediate families, and firms and corporations whom they are associated with do business with us. Business between the company and its directors and officers involves ordinary banking transactions with MBank, such as borrowings and investments in time deposits. The Bank makes these transactions in the ordinary course of business, on substantially the same terms, including interest rates paid or charged and collateral required, as those prevailing at the time for comparable transactions with unaffiliated persons. Loans to directors and executive officers do not involve more than the normal risk of collectibility or have other features that would be disadvantageous to the Bank. As of December 31, 2009, there were no loan balances outstanding to officers and directors.

### Stock Ownership of Directors and Executive Officers

The following table shows the number of shares of common stock beneficially owned as of February 26, 2010, by each director and each executive officer.

Name and Position	Number of Shares Beneficially Owned(1)	Percentage of Class
Stanley C. Morris, Director	210,402(2)	4.80%
Gary J. Delorit, Director	227,793(3)	5.20%
Charles R. Maples, Director	141,618(4)	3.23%
Fred W. Bruning, Director	7,839(5)	*
H. Rex Brittle, President/CEO and Director	426,388(6)	9.73%
Michael L. Czajka, EVP/Chief Credit Officer	123,128(7)	2.81%
Ronald L. Shoemake, EVP/Chief Operations Officer	40,376(8)	*
Jefry Baker, EVP/Chief Financial Officer	9,648(9)	*
All directors and executive officers as a group (8 persons)	1,187,192(1-8)	27.1%

\* Less than 1.0%

- (1) Shares held directly with sole voting and investment power, unless otherwise indicated.
- (2) Includes shares held by his spouse and 1,508 shares covered by options exercisable within 60 days.
- (3) Includes shares held jointly with his spouse and 1,508 shares covered by options exercisable within 60 days.
- (4) Includes shares held jointly with his spouse and 2,411 shares covered by options exercisable within 60 days.
- (5) Includes shares held in limited partnership and 2,839 shares covered by options exercisable within 60 days.
- (6) Includes shares held jointly with his spouse and 752 shares covered by options exercisable within 60 days.
- (7) Includes shares held jointly with his spouse and 4,670 shares covered by options exercisable within 60 days.
- (8) Includes shares held by his spouse and 4,416 shares covered by options exercisable within 60 days.
- (9) Includes 5,067 shares covered by options exercisable within 60 days.

## **Agenda Item 2. Ratification of the appointment of independent auditors**

The Board of Directors has appointed the firm of Moss Adams LLP, the Bank's independent auditors for the year ended December 31, 2009, to act in such capacity for the fiscal year ending December 31, 2010. The Board recommends that shareholders vote in favor of ratification of such appointment. There are no affiliations between the Bank and Moss Adams LLP, its partners, associates or employees, other than those which pertain to the engagement of Moss Adams LLP in the previous year (i) as independent auditors for the Bank and (ii) for certain tax advice and tax planning services. Moss Adams LLP has served as the Bank's independent auditors since 2003.

Shareholder ratification of the appointment of Moss Adams LLP as our independent auditors is not required by law, by our bylaws or otherwise. The Board of Directors is directly responsible for the appointment, compensation and oversight of the audit work and the independent auditors. The Board will consider the results of the shareholder vote on this proposal and, in the event of a negative vote, will reconsider its selection of Moss Adams LLP. However, the Board is not bound by the shareholder vote.

Even if Moss Adams LLP's appointment is ratified by the shareholders, the Board may, in its discretion, appoint a new independent registered public accounting firm at any time if it determines that such a change would be in the best interests of the Bank and its shareholders. A representative of Moss Adams LLP is expected to attend the annual meeting and will have the opportunity to make a statement and to answer appropriate questions.

*The Board of Directors recommends a vote in favor of ratification of the appointment of Moss Adams LLP to serve as independent auditors for fiscal year 2010*

## **Other Business**

We are not aware of any other matters to be brought before the shareholders at the annual meeting. In the event other matters are presented for a vote at the annual meeting, the person or persons holding the proxies will vote them in their discretion in accordance with their judgment on such matters.

At the annual meeting, we will report on our business and shareholders will have the opportunity to ask questions.

## **Regulatory Matters**

As previously reported to our shareholders, the Bank is subject to an Order to Cease and Desist ("Consent Order") entered into pursuant to a Stipulation ("Stipulation") to the Issuance of an Order to Cease and Desist executed by the Bank on June 25, 2009, with the Bank and its primary regulators, the FDIC and the Oregon Department of Consumer and Business Services, acting through the Division of Finance and Corporate Securities ("DFCS"). The Order was issued in connection with a routine regulatory visitation of the Bank and does not constitute an admission of any allegations made by the FDIC or DFCS. The following is a description of the material aspects of the Order.

The Order requires the Bank to:

- Have and retain qualified management;
- Provide 30 days' prior notice to the FDIC and the DFCS of the addition of any new director, the employment of any new senior executive officer, or change in the responsibilities of any existing senior executive officer;
- Increase and maintain Tier 1 Leverage Ratio at no less than 10% and Total Risk-Based Capital Ratio at no less than 12%, within 180 days of the date of the Order;

- Pay no dividends without prior written consent of FDIC and DFCS;
- Develop or revise, adopt, and implement a written plan for reducing the amount of loans or other extensions of credit to borrowers in the Commercial Real Estate Concentration, and develop robust risk management policies in accordance with regulatory guidelines;
- Submit a plan for reducing the Bank's reliance on brokered deposits; and
- Provide periodic written progress reports on steps the Bank is taking to comply with the Order.

In conjunction with the Bank executing the Stipulation, the Company entered into an agreement with the Federal Reserve Bank to ensure compliance with the Order.

### **Voting at the Annual Meeting**

#### **Who may vote**

If you were a shareholder of Merchants Bancorp of record as of the close of business on February 26, 2010, you are entitled to vote at the meeting.

#### **Voting by proxy**

You do not have to attend the meeting. You may vote your shares by proxy if you wish. You may mark the enclosed proxy card to indicate your vote on the matters presented at the meeting, and the individuals whose names appear on the proxy card will vote your shares as you instruct.

If you submit a proxy with no instructions, the named proxy holders will vote your shares FOR the nominees for directors and FOR the ratification of the appointment of our independent auditors. In addition, the named proxy holders will vote in their discretion on such other matters that may be considered at the shareholders' meeting. The Board of Directors has named Jeffrey A. Baker and Ron L. Shoemaker as proxy holders. Their names appear on the proxy form accompanying this proxy statement. You may name another person to act as your proxy if you wish, but it is not necessary to do so.

#### **Revoking a proxy**

If you are the record holder of your shares, you may revoke your proxy at any time before the vote is taken at the meeting. You may revoke your proxy by submitting a proxy bearing a later date or by notifying the Controller of Merchants Bancorp at 1290 NE Burnside, P.O. Box 504, Gresham, Oregon 97030 (personally in writing or by mail) of your wish to revoke your proxy. You may also revoke your proxy by oral request if you are present at the meeting. **If your shares are held in "street name", you must give voting instructions to your broker or other nominee holder, and you must contact that nominee holder to change your vote or revoke your proxy. If your shares are held in street name, you will not be able to vote your shares or change your vote at the meeting.**

You may still attend the meeting even if you have submitted a proxy. You should be aware that simply attending the meeting will not, of itself, revoke a proxy.

*Please complete, date, and sign the accompanying proxy and return it promptly to us in the enclosed, postage-paid envelope, even if you plan to attend the meeting.*

## **Number of shares that may vote**

The authorized capital stock of Merchants Bancorp consists of 10,000,000 shares of common stock. As of February 26, 2010, there were 4,380,032 shares of common stock outstanding and entitled to vote at the meeting.

## **How we determine a quorum**

Shareholders holding at least a majority of the outstanding shares of common stock must either attend the meeting or submit proxies to have a quorum. If you come to the meeting or submit a proxy, but you abstain from voting on a given matter, we will still count your shares as present for determining a quorum.

## **How we count votes**

The named proxies will vote your shares as you instruct on your proxy. We will not count abstentions or broker non-votes for or against a matter submitted to a vote of shareholders. Each share is entitled to one vote.

A broker non-vote occurs when a broker or other nominee holder, such as a bank, brokerage firm or other nominee holder, submits a proxy representing shares that another person actually owns, and that person has not given voting instructions to the broker or other nominee. Generally, a broker or other nominee cannot vote those shares without instructions from the beneficial owner. The proposal to ratify the appointment of auditors is a matter as to which the nominee holders are permitted to exercise discretion and vote in the absence of voting instructions from the beneficial holder. We will count broker non-votes as present for establishing a quorum.

### ***Counting votes in the election of directors***

Directors are elected by a plurality of votes, which means that the nominees that receive the most votes will be elected, regardless of how many votes each nominee gets. You may not cumulate your votes in electing directors, but rather, you may vote the total number of shares that you own for each open director position.

### ***Counting votes for the ratification of the appointment of independent auditors***

To approve the ratification of the appointment of independent auditors, more votes must be cast in favor of the proposal than votes cast against, regardless of the number of votes cast. Therefore, an abstention or broker non-vote will have no effect on the outcome of the vote on the proposal.

## **What if I do not mark or sign my proxy?**

If you submit a signed proxy without giving voting instructions, the named proxies will vote your shares in their discretion. Those individuals named on the enclosed proxy form intend to vote for the Board of Directors' nominees for director and in their discretion on any other matters properly brought before the meeting. If you do not sign your proxy, we will not count you as present for determining a quorum, and we will not count your votes.

## **How many shares do directors and officers own?**

Directors and executive officers of the company own and are entitled to vote 1,164,021 shares at the meeting. Those shares constitute 26.6% of the total shares outstanding and entitled to be voted at the meeting. Voting shares do not include options exercisable in 60 days as listed in the preceding table. We

expect all directors and executive officers and principal shareholders to vote for the Board's nominees for directors, although they are not obligated to do so.

**Annual Reports and Financial Statement**

You may obtain information regarding our Financial Statement and Annual Report on our website at [www.mbankonline.com/investorrelations](http://www.mbankonline.com/investorrelations) or by writing to Jefry Baker, Executive Vice President and CFO, at 1290 NE Burnside, P.O. Box 504, Gresham, Oregon 97030. This financial information is not part of the proxy solicitation materials. As previously stated, Moss Adams LLP serves as our independent accountant.

March 22, 2010

By Order of the Board of Directors

H. Rex Brittle  
President and Chief Executive Officer

**Your vote is important. Please send in your proxy immediately, using the envelope provided.**

**REVOCABLE PROXY**

**MERCHANTS BANCORP  
Annual Meeting of Shareholders  
April 22, 2010**

**PROXY SOLICITED BY THE BOARD OF DIRECTORS**

The undersigned acknowledges receipt of the Notice of Annual Meeting of Shareholders and the Board of Director’s proxy statement dated March 22, 2010, and hereby appoints Jefry A. Baker and Ron L. Shoemake, and each of them, proxies with power of substitution to vote on behalf of the undersigned all shares of common stock of Merchants Bancorp at the annual meeting to be held on April 22, 2010, and any adjournments or postponements thereof, with all powers the undersigned would possess if personally present, with respect to the following:

- 1. **Election of directors.**       FOR all nominees listed below (except as marked to the contrary below)       WITHHOLD AUTHORITY to vote for all nominees listed below

INSTRUCTION: To withhold authority to vote for any individual, strike a line through the nominee’s name below. Nominees for directors to serve one-year terms:

H. Rex Brittle	Gary J. Delorit	Stanley C. Morris
Fred W. Bruning	Charles R. Maples	

**2. Ratification of Appointment of Independent Auditors**

FOR       AGAINST       ABSTAIN

**3. Other Matters.** At the discretion of the proxy holder, on such other business as may properly come before the meeting and any adjournments or postponements thereof.

The shares represented by this proxy will be voted as specified above, but if no specification is made, this proxy will be voted for the election of all nominees and for ratification of the appointment of our independent auditors.

Number of Shares Held: \_\_\_\_\_

Dated: \_\_\_\_\_, 2010 \_\_\_\_\_

**Please date and sign exactly as your name appears on your stock receipt(s) (which should be the same as the name on the address label on the envelope in which this proxy was sent to you), including designation as executor, trustee, etc., if applicable. A corporation must sign its name by the president or other authorized officer. All co-owners must sign.**