

FARMERS & MERCHANTS BANCORP INC

Form 424B3

November 08, 2018

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PROXY STATEMENT AND PROSPECTUS

DATED NOVEMBER 7, 2018

FARMERS & MERCHANTS BANCORP, INC.

LIMBERLOST BANCSHARES, INC.

YOUR VOTE IS VERY IMPORTANT

PROSPECTUS OF FARMERS & MERCHANTS BANCORP, INC. FOR UP TO

1,830,000 SHARES OF COMMON STOCK AND

PROXY STATEMENT OF LIMBERLOST BANCSHARES, INC.

The Board of Directors of Farmers & Merchants Bancorp, Inc. (F&M) and the Board of Directors of Limberlost Bancshares, Inc. (LBI) have approved an Agreement and Plan of Reorganization and Merger (the Merger Agreement), pursuant to which LBI will merge with and into F&M (the Merger). This proposed strategic business combination will further expand F&M s operations in the State of Indiana. Following the Merger, the combined company will have a total of 30 banking offices, 20 in Ohio and 10 in Indiana, and have approximately \$1.5 billion in assets, \$1.1 billion in loans, \$1.1 billion in deposits, and total shareholders equity of \$220 million.

If the Merger Agreement is approved by a majority of the shareholders of LBI and the Merger is subsequently completed, the shares of LBI common stock owned by each LBI shareholder (other than dissenting shares) will be converted into the right to receive: (i) 1,830 shares (the Exchange Ratio) of F&M common stock; plus (ii) \$8,465 in cash. F&M will pay cash for any fractional shares resulting from application of the Exchange Ratio. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions.

We cannot complete the Merger unless a majority of the outstanding shares of common stock of LBI vote to approve the Merger Agreement. LBI will hold a special meeting of its shareholders to vote on this merger proposal. **Your vote is very important.** Whether or not you plan to attend the shareholder meeting, please take the time to vote by completing the enclosed proxy card and mailing it in the enclosed envelope. **If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of the Merger Agreement. Not returning your card will have the same effect as a vote against the Merger Agreement.**

The date, time and place of the meeting are as follows:

December 12, 2018, 5:00 p.m., local time

The Clock Tower Inn

1335 US Highway 27 North

Berne, Indiana 46711

This proxy statement and prospectus provides you with detailed information about the special meeting and the proposed Merger. It also contains or references information about LBI and F&M. You can also get information about F&M from publicly available documents that have been filed with the Securities and Exchange Commission. F&M common stock is listed on the NASDAQ Capital Market under the symbol FMAO.

We strongly support the Merger of our companies. **The Board of Directors of LBI recommends that you vote in favor of the Merger Agreement.**

/s/ Paul S. Siebenmorgen

President and Chief Executive Officer

FARMERS & MERCHANTS BANCORP, INC.

/s/ Andrew J. Briggs

Chairman

LIMBERLOST BANCSHARES, INC.

For a discussion of certain risk factors which you should consider in evaluating the Merger, see Risk Factors beginning on page 22. We encourage you to read this entire document carefully.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued pursuant to this proxy statement and prospectus or determined if this proxy statement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

These securities are not savings or deposit accounts or other obligation of any bank or non-bank subsidiary of either of our companies, and they are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other federal or state governmental agency.

This proxy statement and prospectus is dated November 7, 2018,

and it is being first mailed to LBI shareholders on or about November 7, 2018.

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ADDITIONAL INFORMATION

This document incorporates important business and financial information about F&M from other documents filed by F&M with the Securities and Exchange Commission (SEC) that are not delivered with or included in this document. This information (including the documents incorporated herein by reference) is available to you without charge upon your written or oral request. You may request these documents in writing or by telephone at the following address and telephone number:

Farmers & Merchants Bancorp, Inc.

307 N. Defiance Street

Archbold, Ohio 43502

Attention: Lydia Huber,

Corporate Secretary

Telephone: (419) 446-2501

To ensure timely delivery, shareholders must request the documents containing the information described above no later than five (5) business days prior to the date of the special meeting of the LBI shareholders. Accordingly, if you would like to make such a request, please do so by December 5, 2018, in order to receive the requested information before the meeting.

You can also obtain copies of the documents incorporated by reference in this document through the SEC's website at www.sec.gov. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 107.

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LIMBERLOST BANCSHARES, INC.

215 East Line Street

Geneva, Indiana 46740

NOTICE OF SPECIAL MEETING OF

SHAREHOLDERS TO BE HELD ON

DECEMBER 12, 2018

To Our Shareholders:

We will hold a special meeting of the shareholders of Limberlost Bancshares, Inc. (LBI) on December 12, 2018, at 5:00 p.m. local time, at The Clock Tower Inn, 1335 US Highway 27 North, Berne, Indiana 46711.

The purposes of the special meeting are the following:

1. *Merger Proposal.* To consider and vote upon a proposal to approve the Agreement and Plan of Reorganization and Merger, dated August 17, 2018 (the Merger Agreement), between Farmers & Merchants Bancorp, Inc. (F&M) and LBI, and to approve the transactions contemplated thereby (the Merger Proposal). Pursuant to the Merger Agreement, LBI will merge with and into F&M (the Merger) and, immediately thereafter, Bank of Geneva, the wholly-owned banking subsidiary of LBI, will merge with and into Farmers & Merchants State Bank (F&M Bank), a wholly-owned banking subsidiary of F&M (the Bank Merger).
2. *Adjournment Proposal.* To approve one (1) or more adjournments of the LBI special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal (the Adjournment Proposal).
3. *Other Matters.* To vote upon such other matters which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. LBI s Board of Directors is not aware of any such other matters.

The accompanying proxy statement and prospectus describes the Merger Agreement and the proposed Merger in detail and includes, as Annex A, the complete text of the Merger Agreement. We urge you to read these materials for a description of the Merger Agreement and the proposed Merger. **In particular, you should carefully read the section captioned Risk Factors beginning on page 22 of the accompanying proxy statement and prospectus for a discussion of certain risk factors relating to the Merger.**

The Board of Directors of LBI has fixed the close of business on October 26, 2018, as the record date for determining those shareholders who are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. Approval of the Merger Proposal requires the affirmative vote of at least a majority of the outstanding shares of LBI common stock. Approval of the Adjournment Proposal only requires more votes to be cast in favor of the proposal than are cast against it, so long as a quorum is present.

As required by Indiana Code 23-1-44-10, LBI is notifying all of its shareholders entitled to vote on the Merger Proposal that you are or may be entitled to assert dissenters' rights under Chapter 44 of the Indiana Business Corporation Law. A copy of Chapter 44 is attached as Annex B to the accompanying proxy statement and prospectus. See also THE MERGER Rights of Dissenting Shareholders beginning on page 49 in the accompanying proxy statement and prospectus.

The LBI Board of Directors recommends that you vote FOR (1) approval of the Merger Proposal; and (2) approval of the Adjournment Proposal.

Whether or not you plan to attend the special meeting in person, please submit your proxy by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the enclosed postage-prepaid envelope. If you attend the special meeting, you may vote in person if you wish, even if you have previously submitted your proxy. Not submitting your proxy will have the same effect as a vote against the Merger Proposal.

By Order of the Board of Directors

Andrew J. Briggs
Chairman

Phillip Lucas
Executive Vice President

November 7, 2018

Geneva, Indiana

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FORWARD-LOOKING STATEMENTS

This document, and the information included or incorporated by reference into it, contain forward-looking statements made pursuant to the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements can often, but not always, be identified by the use of words like believe, continue, pattern, estimate, project, intend, anticipate, expect and similar expressions, or future or conditional verbs such as will, should, could, might, can, may, or similar expressions. These forward-looking statements include, but are not limited to, statements relating to the benefits of the proposed Merger between F&M and LBI, including future financial and operating results, cost savings, enhanced revenues, and accretion/dilution to reported earnings that may be realized from the Merger, as well as other statements of expectations regarding the Merger, and other statements of F&M's goals, intentions and expectations; statements regarding F&M's business plan and growth strategies; statements regarding the asset quality of F&M's loan and investment portfolios; and estimates of F&M's risks and future costs and benefits, whether with respect to the Merger or otherwise.

These forward-looking statements are subject to significant risks, assumptions and uncertainties that may cause results to differ materially from those set forth in forward-looking statements, including, among other things: the risk that the businesses of the F&M and LBI will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected; expected revenue synergies and cost savings from the Merger may not be fully realized or realized within the expected time frame; revenues following the Merger may be lower than expected; customer and employee relationships and business operations may be disrupted by the Merger; the ability to obtain required regulatory and shareholder approvals, and the ability to complete the Merger on the expected time frame; possible changes in economic and business conditions; the existence or exacerbation of general geopolitical instability and uncertainty; the ability of F&M to attract new customers; possible changes in monetary and fiscal policies, and laws and regulations; the effects of easing restrictions on participants in the financial services industry; the cost and other effects of legal and administrative cases; possible changes in the credit worthiness of customers and the possible impairment of collectability of loans; fluctuations in market rates of interest; competitive factors in the banking industry; changes in the banking legislation or regulatory requirements of federal and state agencies applicable to banks and bank holding companies; continued availability of earnings and excess capital sufficient for the lawful and prudent declaration of dividends; changes in market, economic, operational, liquidity, credit and interest rate risks associated with the F&M's and LBI's business; and other risks and factors identified in F&M's filings with the SEC.

Neither F&M nor LBI undertakes any obligation to update any forward-looking statement, whether written or oral, relating to the matters discussed herein unless required to under the federal securities laws. In addition, F&M's and LBI's past results of operations do not necessarily indicate either of their anticipated future results, whether the Merger is effectuated or not.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER
AND THE SHAREHOLDER MEETING**

The following questions and answers are intended to briefly address some commonly asked questions regarding the Merger, the Merger Agreement, and the shareholder meeting. We urge you to read carefully the remainder of this proxy statement and prospectus because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the annexes to, and the documents incorporated by reference in, this proxy statement and prospectus.

Q: Why am I receiving this document?

A: LBI has agreed to be acquired by F&M under the terms of the Merger Agreement. In order for us to complete the Merger, we need the approval of the Merger Agreement by LBI shareholders, among other things. This document is being delivered to you because it is serving as both a proxy statement of LBI and a prospectus of F&M. In order to approve the Merger Agreement, LBI has called a special shareholder meeting of its shareholders. This document serves as a proxy statement for such special meeting and describes the proposals to be voted on at the special meeting and is being used by the LBI Board of Directors to solicit votes from the LBI shareholders in connection with such proposals. This document is also a prospectus of F&M because F&M is offering shares of its common stock, as well as cash, in exchange for shares of LBI in the Merger.

This proxy statement and prospectus contains important information regarding the Merger, as well as information about F&M and LBI. It also contains important information about what the LBI Board of Directors considered when evaluating the Merger. We urge you to read this proxy statement and prospectus carefully, including the Merger Agreement, a copy of which is attached to this proxy statement and prospectus as Annex A and is incorporated herein by reference, and the other annexes.

Q: When and where will the LBI special meeting be held?

A: The LBI special meeting will be held at The Clock Tower Inn, 1335 US Highway 27 North, Berne, Indiana 46711, on December 12, 2018, at 5:00 p.m. (local time).

Q: What am I voting on?

A: You are being asked to vote to approve the Merger Agreement and the transactions contemplated thereby, pursuant to which LBI will merge with and into F&M. F&M would be the surviving entity in the Merger, and LBI would no longer be a separate company.

You are also being asked to vote on two additional proposals (completion of the Merger is not conditioned upon approval of any of these additional proposals):

a proposal to adjourn the LBI special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal (which we refer to as the Adjournment Proposal); and

to vote on such other matters that may be properly presented at the special meeting or any adjournment or postponement of the special meeting. LBI's Board is not aware of any such other matters.

Q: How does the LBI board recommend that I vote with respect to each proposal?

A: The LBI Board of Directors recommends that LBI shareholders vote **FOR** approval of the Merger Proposal; and **FOR** approval of the Adjournment Proposal.

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Q: Why are F&M and LBI proposing to merge?

A: We believe the Merger is in the best interests of both companies and our respective shareholders. LBI and F&M believe that the Merger will bring together two complementary financial institutions to create a strong company that is positioned for further growth. The Merger will give the combined company greater scale and geographic diversity, allowing F&M to further expand its existing operations in the State of Indiana. We believe the Merger will enhance our capabilities to provide banking and financial services to our customers and strengthen the competitive position of the combined organization.

You should review the background of and reasons for the Merger described in greater detail beginning on page 36.

Q: What will LBI shareholders receive in the Merger?

A: If the Merger Agreement is approved by the shareholders of LBI and the Merger is subsequently completed, each share of LBI common stock (other than dissenting shares) will be converted into the right to receive (i) 1,830 shares (the Exchange Ratio) of F&M common stock, plus (ii) \$8,465 in cash (the stock and cash consideration is at times referred to herein as the Merger Consideration). Each LBI shareholder that would otherwise be entitled to receive a fractional share of F&M common stock will receive cash in lieu of such fractional share. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization, or similar transactions. Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments), the value of the Merger Consideration that you will receive will depend on the market price of F&M common stock when you receive your shares of F&M common stock. The implied per share value of the Merger Consideration, based upon F&M's closing stock price on October 29, 2018, the most recent practicable trading day before this proxy statement and prospectus was finalized, was \$85,233.50 including the cash consideration. **No assurance can be given that the current market price of F&M common stock will be equivalent to the market price of F&M common stock on the date that shares of F&M common stock are received by an LBI shareholder or at any other time.** You should obtain current market prices for shares of F&M common stock which is listed on the NASDAQ Capital Market under the symbol FMAO.

Q: What risks should I consider before I vote on the Merger Proposal?

A: You should carefully review the section captioned RISK FACTORS beginning on page 22.

Q: Will F&M shareholders receive any shares or cash as a result of the Merger?

A: No. After the Merger, F&M shareholders will continue to own the same number of F&M shares they owned before the Merger.

Q: When is the Merger expected to be completed?

A: We are working to complete the Merger as quickly as possible. We must first obtain the necessary regulatory approvals and the approval of LBI shareholders at the special meeting. We currently expect to complete the Merger effective as of December 31, 2018 or early in the first quarter of 2019.

Q: What happens if the Merger is not completed?

A: If the Merger is not completed, LBI shareholders will not receive any consideration for their shares of LBI common stock in connection with the Merger. Instead, LBI will remain an independent company. In addition, if the Merger Agreement is terminated in certain circumstances, a termination fee may be required to be paid by LBI to F&M.

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Q: What are the tax consequences of the Merger to me?

A: The Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). A U.S. Holder (as defined in the section captioned MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 62) who exchanges all of his, her, or its shares of LBI common stock for the Merger Consideration (1,830 shares of F&M common stock and \$8,465 in cash per share) pursuant to the Merger Agreement may recognize a gain, but not any loss, on the exchange. At the closing of the Merger, F&M will receive an opinion from their tax attorneys confirming these tax consequences which the shareholders of LBI will be permitted to rely upon. See MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES beginning on page 62. Your individual tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the Merger to you.

Q: Will I have dissenters rights?

A: Dissenters rights are available to LBI s shareholders under Indiana law, but you will only be able to dissent from the Merger by complying with the provisions of Chapter 44 of the Indiana Business Corporation Law, as amended (the IBCL), a copy of which is included as Annex B to this proxy statement and prospectus. **If you wish to assert your dissenters rights, you must deliver to LBI written notice of your intent to assert such rights before the vote is taken at the special meeting. In addition, you must not vote in favor of the Merger either in person or by proxy.** The procedure for dissenting is explained more fully under THE MERGER Rights of Dissenting Shareholders beginning on page 49 and in Annex B to this proxy statement and prospectus.

Q: Who can vote at the special meeting?

A: All holders of record of LBI common stock as of the close of business on October 26, 2018, the record date for the special meeting (the record date), are entitled to receive notice of, and to vote at, the special meeting, or any postponement or adjournment of the special meeting scheduled in accordance with Indiana law. As of the record date, there were 1,000 shares of LBI common stock outstanding and entitled to vote at the special meeting.

Q: What constitutes a quorum?

A: The presence, in person or by proxy, of shareholders holding at least a majority of the outstanding shares of LBI common stock as of the record date will constitute a quorum for the special meeting. In determining whether a quorum is present, shareholders who abstain, cast broker non-votes, or are otherwise present at the special meeting will be deemed present at the special meeting. Once a share is represented for any purpose at the special meeting, it will be deemed present for quorum purposes for the remainder of the meeting.

Q: What are the vote requirements to approve the matters that will be considered at the special meeting?

A: At the special meeting, the affirmative vote of holders of a majority of the outstanding shares of LBI common stock is required to approve the Merger Proposal. Approval of the Adjournment Proposal requires more votes to be cast in favor of the proposal than are cast against it.

Each of the directors of LBI has entered into a voting agreement with F&M pursuant to which each of them has agreed, subject to their fiduciary duties to entertain a superior third-party acquisition proposal under the Merger Agreement, to vote, or cause to be voted, all of their shares of LBI common stock owned by each of them of record or beneficially, including shares owned by certain other persons over which they have voting control, in favor of the Merger Proposal. Collectively, as of the record date, our directors had the power to

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vote, or cause to be voted, 558.9037 shares, or approximately 55.9% of the outstanding shares of LBI common stock. Assuming that the members of the Board vote these shares in favor of the Merger as required under the voting agreement, the Merger will be approved by the LBI shareholders.

Q: How many votes do I have?

A: LBI shareholders are entitled to one vote on each proposal to be considered at the special meeting for each share of LBI common stock owned as of the record date for the special meeting.

Q: How do I vote?

A: You may have your shares of LBI common stock voted on the matters to be presented at the special meeting in the following ways: (i) by completing, signing, dating, and returning the enclosed proxy card in the accompanying prepaid reply envelope; or (ii) by attending the special meeting and casting your vote in person. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must obtain a legal proxy from your bank, broker, or other nominee.

Q: If my shares are held in street name, will my bank, broker, or other nominee vote my shares for me?

A: Your bank, broker, or other nominee will vote any shares you hold in street name only if you provide instructions to them on how to vote your shares. You should follow the directions provided by your bank, broker, or other nominee to vote your shares. If you do not provide your bank, broker, or other nominee with instructions on how to vote your shares held in street name, they will not be permitted to vote your shares, which will have the effect of a vote **AGAINST** the Merger.

Similarly, your bank, broker, or other nominee will vote your shares on the Adjournment Proposal, if necessary, but only if you provide instructions on how to vote. If you do not submit voting instructions to your bank, broker, or other nominee on how to vote your shares held in street name, your shares will not be counted in determining the outcome of this proposal.

Q: How do I vote the shares of LBI common stock credited to my account in the Bank of Geneva Employee Stock Ownership Plan (ESOP)?

A: If shares of LBI common stock are credited to your plan account under the ESOP, you will receive a voting instruction card that you may use to direct the trustee to vote these shares on your behalf under the ESOP. Under the terms of the ESOP, a participant is entitled to direct the trustee how to vote the shares of LBI common stock credited to his or her account under the ESOP. If the ESOP trustee does not receive timely voting instructions for the shares of LBI common stock held in the ESOP, the shares for which the trustee does not receive timely instructions will be voted in a manner calculated to most accurately reflect the instructions received from other

ESOP participants.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in this proxy statement and prospectus and any information incorporated herein by reference. Then, please submit your proxy by completing, signing, and dating the enclosed proxy card and returning it as soon as possible using the enclosed postage-prepaid envelope so that your shares can be voted at the special meeting. If a returned proxy card is signed, but does not specify how you wish to vote your shares, your proxy will be voted **FOR** the: (1) approval of the Merger Proposal; and (2) approval of the Adjournment Proposal.

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Q: What if I don't vote or I abstain from voting?

A: If you do not vote or you abstain from voting, your abstention will be equivalent to a vote **AGAINST** the Merger Proposal, but such abstention will have no impact on the Adjournment Proposal. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be voted **FOR** approval of the Merger Proposal; and **FOR** approval of the Adjournment Proposal.

Q: May I change my vote after I have submitted my proxy?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one (1) of three (3) ways. First, you can send a written notice stating that you revoke your proxy. Second, you can complete and submit a new proxy, dated at a date later than your most recent proxy. Please submit your notice of revocation and/or new proxy card to LBI, 215 East Line Street, Geneva, Indiana 46740-0278, Attention: Richard D. Briggs, Corporate Secretary. Third, you may attend the special meeting and vote in person. Simply attending the special meeting, however, will not revoke your proxy. You must request a ballot and vote the ballot at the meeting.

Q: Should I send in my stock certificate(s) now?

A: No. After the Merger is completed, LBI shareholders will receive written instructions from F&M for exchanging their stock certificates for shares of F&M common stock and cash constituting the Merger Consideration, and cash for fractional shares to be received by them in the Merger. Any shares of LBI common stock held in book-entry form will be automatically exchanged for shares of F&M common stock. If you are a current F&M shareholder, you should retain your certificates representing F&M common shares, as you will continue to hold the F&M shares you currently own.

Q: Whom should I contact if I have other questions about the Merger Agreement or the Merger?

A: You may contact:
Limberlost Bancshares, Inc.

215 East Line Street

Geneva, Indiana 46740-0278

Attention: Andrew J. Briggs, Chairman

Telephone: (260) 368-7288

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SUMMARY

This summary highlights selected information from this proxy statement and prospectus. Because this is a summary, it does not contain all of the information that is important to you. You should carefully read this entire document, including the documents incorporated herein by reference, and the other documents to which we have referred you before you decide how to vote. See WHERE YOU CAN FIND ADDITIONAL INFORMATION on page 107 for a description of documents that we incorporate by reference into this document. Each item in this summary includes a page reference that directs you to a more complete description in this document of the topic discussed.

Description of Farmers & Merchants Bancorp, Inc. (page 66)

Farmers & Merchants Bancorp, Inc.

307 N. Defiance Street

Archbold, Ohio 43502

(419) 446-2501

F&M is a financial holding company headquartered in Archbold, Ohio that was organized in 1985. F&M common stock is listed on the NASDAQ Capital Market under the symbol FMAO. F&M is the parent holding company of F&M Bank, an Ohio chartered commercial bank which opened for business in Archbold, Ohio, in 1897, and F&M Risk Management, Inc., a captive insurance company founded in December 2014. F&M Bank has a total of 24 banking locations with 20 in Northwest Ohio and 4 in Northeast Indiana. F&M Bank's business activities are currently limited to one significant business segment, which is community banking. F&M Bank also operates FM Investment Services as a division of its operations. FM Investment Services offers non-deposit investment and insurance products.

As of June 30, 2018, F&M had approximately consolidated assets of \$1.1 billion, deposits of \$931 million and shareholders' equity of \$137.5 million. As of June 30, 2018, F&M and its subsidiaries had 276 full-time equivalent employees.

Description of Limberlost Bancshares, Inc. (page 67)

Limberlost Bancshares, Inc.

215 East Line Street

Geneva, Indiana 46740

(260) 368-7288

LBI is a bank holding company incorporated under Indiana law and headquartered in Geneva, Indiana. LBI is not listed on any stock market or quoted in any over-the-counter market. As such, there is not an active trading market for shares of LBI common stock. LBI is the parent holding company of Bank of Geneva, an Indiana chartered commercial bank, which opened for business in Geneva, Indiana, in 1892. Bank of Geneva has a total of 6 banking locations. LBI's business activities are currently limited to one significant business segment, which is community banking.

As of June 30, 2018, LBI had approximately consolidated assets of \$287 million, deposits of \$212 million and shareholders' equity of \$30.8 million. As of June 30, 2018, LBI and its subsidiaries had 61 full-time equivalent employees.

The Merger Agreement (page A-1)

We have attached a copy of the Merger Agreement to this document as Annex A. Please read the Merger Agreement in its entirety. It is the legal document that governs the Merger.

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The Merger Agreement provides that, if all of the conditions are satisfied or waived, LBI will be merged with and into F&M and LBI will cease to exist. Immediately following the Merger, Bank of Geneva will be merged with and into F&M Bank and Bank of Geneva will cease to exist. We expect to complete the Merger on December 31, 2018 or early in the first quarter of 2019.

Reasons for the Merger (pages 38)

F&M. F&M's Board of Directors considered a number of financial and nonfinancial factors in making its decision to merge with LBI, including LBI's Board of Directors, management and staff. The Board believes that expanding F&M's operations into the market areas where LBI operates offices provides financial and strategic benefits to F&M and LBI as a combined company.

LBI. In considering the Merger with F&M, LBI's Board of Directors collected and evaluated a variety of financial and economic information regarding F&M and F&M Bank, and their reputation and future prospects. In the opinion of LBI's Board of Directors, favorable factors included F&M's strong earnings and stock performance, its management, the compatibility of its markets to those of LBI, the likelihood of regulatory approvals of the Merger, and the attractiveness of F&M's offer from a financial perspective. In addition, the Board of Directors considered the fairness opinion of Renninger, described below.

Opinion of LBI's Financial Advisor (page 41)

LBI's Board of Directors jointly retained Renninger & Associates, LLC and Ausdal Financial Partners (AFP) (together referred to as Renninger) to advise it in regard to its strategic alternatives and to render a fairness opinion in connection with the proposed Merger. At the meeting of LBI's Board of Directors on August 17, 2018, Renninger delivered to LBI's Board of Directors an oral opinion, which was confirmed by delivery of a written opinion, dated August 17, 2018, to the effect that, as of the date of the opinion and based upon its analysis and subject to the conditions, limitations, qualifications and assumptions set forth in the opinion, the right of the holders of LBI common shares to receive: (i) 1,830 shares (the Exchange Ratio) of F&M common stock; and (ii) \$8,465.00 in cash (collectively, the Merger Consideration), for each share of LBI common stock, was fair, from a financial point of view, to such holders of LBI common stock.

The full text of the written opinion of Renninger, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion of Renninger, is attached as [Annex C](#) to this proxy statement and prospectus and is incorporated herein by reference. LBI shareholders are urged to read Renninger's written opinion carefully and in its entirety. Renninger's opinion is limited solely to the fairness, from a financial point of view, of the Merger Consideration to be received in the Merger by the holders of LBI common stock and does not address LBI's underlying business decision to effect the Merger or the relative merits of the Merger as compared to any alternative business strategies or transactions that might be available with respect to LBI. Renninger's opinion does not constitute a recommendation to any shareholder of LBI as to how such shareholder should vote or act with respect to any matter relating to the Merger or otherwise.

What LBI Shareholders Will Receive (page 35)

If the Merger Agreement is approved and the Merger is subsequently completed, each outstanding share of LBI common stock (other than dissenting shares) will be converted into the right to receive the Merger Consideration of: (i) 1,830 shares (the Exchange Ratio) of F&M common stock; and (ii) \$8,465.00 in cash. The number of shares of F&M common stock issuable to each LBI shareholder will be rounded to the nearest thousandth of a share. The Exchange Ratio is subject to adjustments for stock splits, stock dividends, recapitalization or similar transactions.

Each LBI shareholder that would otherwise be entitled to receive a fractional share of F&M common stock will receive cash in lieu of such fractional share.

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Because the Exchange Ratio is fixed (except for customary anti-dilution adjustments), the value of the Merger Consideration that you will receive will depend on the market price of F&M common stock when you receive your shares of F&M common stock. The implied per share value of the Merger Consideration, based upon F&M's closing stock price on October 29, 2018, the most recent practicable trading day before this proxy statement and prospectus was finalized, was \$85,233.50 per share. **No assurance can be given that the current market price of F&M common stock will be equivalent to the market price of F&M common stock on the date that shares of F&M common stock are received by an LBI shareholder or at any other time.**

Within three (3) business days following the effective date of the Merger, F&M will mail a letter of transmittal to each person who was, immediately prior to the effective time of the Merger, a holder of record of LBI common stock. The letter of transmittal will contain instructions for use in effecting the surrender of LBI stock certificates (or shares held in book-entry form) in exchange for the consideration to which such person may be entitled pursuant to the Merger Agreement.

What F&M Shareholders Will Receive (page 36)

F&M shareholders will not receive any consideration in the Merger. After the Merger, F&M shareholders will continue to own the same number of F&M shares owned before the Merger.

The LBI Special Shareholders Meeting (page 29)

The special meeting of LBI shareholders will be held on December 12, 2018, at 5:00 p.m. local time, at The Clock Tower Inn, 1335 US Highway 27 North, Berne, Indiana 47611.

At the special meeting, LBI shareholders will be asked:

1. *Merger Proposal.* To consider and vote upon a proposal to approve the Merger Agreement and to approve the transactions contemplated thereby. Pursuant to the Merger Agreement, LBI will merge with and into F&M and, immediately thereafter, Bank of Geneva will merge with and into F&M Bank.
2. *Adjournment Proposal.* To approve one (1) or more adjournments of the LBI special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Merger Proposal.
3. *Other Matters.* To vote upon such other matters which may properly be presented at the special meeting or any adjournment or postponement of the special meeting. LBI's Board of Directors is not aware of any such other matters.

LBI Recommendation to Shareholders (page 31)

LBI's Board of Directors approved and adopted the Merger Agreement and approved and authorized the proposed Merger. LBI's Board of Directors concluded that entering into the Merger Agreement and completing the Merger and the other transactions contemplated by the Merger Agreement are in the best interest of LBI and the LBI shareholders. LBI's Board of Directors recommends that LBI shareholders vote **FOR** (1) approval of the Merger Proposal, and (2) approval of the Adjournment Proposal. In reaching its determination, LBI's Board of Directors considered a number of factors, some of which are described in the section captioned **THE MERGER** LBI's Reasons for the Merger;

Recommendation beginning on page 38. Because of the wide variety of factors considered, LBI's Board of Directors did not believe it practicable, nor did it attempt, to quantify or otherwise assign relative weight to the specific factors it considered in reaching its decision.

LBI Special Meeting Record Date; Vote Required (page 29)

Only LBI shareholders of record as of the close of business on October 26, 2018, are entitled to notice of, and to vote at, the LBI special meeting and any adjournments or postponements of the special meeting. As of the record

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date, there were 1,000 shares of LBI common stock outstanding held by 68 shareholders of record. This number does not reflect the number of persons or entities who may hold their stock in street name through a bank, broker, or nominee, or hold through the ESOP. Approval of the Merger Proposal requires the affirmative vote of holders of at least a majority of the outstanding shares of LBI common stock entitled to vote. The approval of the Adjournment Proposal requires more votes to be cast in favor of the proposal than are cast against it. You can vote your shares by attending the LBI special meeting and voting in person or you can vote by proxy by marking the enclosed proxy card with your vote, signing it and mailing it in the enclosed return envelope. You can revoke your proxy at any time before the special meeting by sending a written notice of revocation, submitting a new proxy or by attending the special meeting and voting in person.

No approval by F&M shareholders is required.

Voting Agreement (page 29)

Each member of the Board of Directors of LBI, as of August 17, 2018, the date the Merger Agreement was executed, entered into a voting agreement with F&M to cause all LBI common stock owned by each of them of record or beneficially to be voted in favor of the Merger Proposal. See THE MERGER AGREEMENT Voting Agreement on page 61. As of the record date, the members of LBI's Board of Directors and their affiliates had power to vote, or caused to be voted, an aggregate of 558.9037 shares of LBI common stock outstanding, representing approximately 55.9% of the outstanding shares on that date. Assuming that the members of the Board vote their shares in favor of the Merger as required under the voting agreement, the Merger will be approved by the LBI shareholders.

F&M ownership of LBI Shares

F&M does not currently own any shares of LBI.

What We Need to Do to Complete the Merger (page 55)

Completion of the Merger depends on a number of conditions being met or waived. In addition to our compliance with the Merger Agreement, these conditions include, among others: