



## **HSA INVESTMENT ACCOUNT**

### ***Supplemental Terms, Conditions, and Disclosures***

**This document constitutes an Agreement between you and Mercantile Bank of Michigan and provides the necessary terms, conditions and disclosures to permit you to invest a portion of your HSA Account in mutual funds. This document supplements the HSA Enrollment Form and Signature Card and the agreements and disclosures incorporated by reference in those documents.**

#### **DISCLOSURE**

Clients selecting the HSA Investment Account are urged to carefully weigh the advantages and disadvantages of investing HSA funds in the Investment Options versus holding them in their Mercantile Bank of Michigan HSA Checking Account. Investors should carefully read the Investment Policy, available at [www.mercbank.com](http://www.mercbank.com), together with the prospectus from each mutual fund selected before investing or sending money. These documents provide information regarding investment objectives and risk, as well as charges and expenses which may be imposed for early liquidation of mutual fund investments, etc. There are no guarantees that the Investment Options will make money. Additional contributions cannot be made to an HSA account to replace any losses that result from investing. Please keep all of these factors in mind when considering which account is right for you.

The Bank engages the support of Devenir Investment Advisors, LLC, a registered investment advisor and Devenir, LLC, a Broker Dealer member of NASD/ SIPC (collectively, "Devenir"), to select the HSA Investment Account Investment Options. Devenir screens the Investment Options offered using a number of criteria which include, but are not limited to total fund performance, Morningstar® ranking relative to other funds with similar investment objectives, and track record. Devenir periodically reviews the Investment Options, and may recommend changes in the Investment Options being offered if a particular fund no longer meets the selection criteria. Participation in the Investment Options is voluntary.

Under no circumstances is Mercantile Bank of Michigan offering any of the HSA Investment Account Investment Options, and the Bank makes no representations with respect to the Investment Options offered.

Mercantile Bank of Michigan disclaims any and all liability, contingent or otherwise, for the performance of the Investment Options. Please see your financial advisor for personal investment advice.

**INVESTMENT OPTIONS ARE NOT FDIC INSURED, NOT AN OBLIGATION OF THE BANK, NOT GUARANTEED BY THE BANK, MAY FLUCUATE IN VALUE, AND INVOLVE INVESTMENT RISK INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.**



## HSA INVESTMENT ACCOUNT

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#### DEFINITIONS

1. **HSA Investment Account**--The HSA Investment Account provides account-holders the option to retain funds in a Mercantile Bank of Michigan account, or to invest in Investment Options comprised of a variety of nationally-recognized mutual funds. This account consists of two sub-accounts:
  - a. **Mercantile Bank of Michigan HSA Checking Account** – The Mercantile Bank of Michigan HSA Checking Account is an interest-bearing checking account established with Mercantile Bank of Michigan for your HSA. The Mercantile Bank of Michigan HSA Checking Account offers checking, debit card access, and automated clearinghouse (ACH) access to deposited funds, although you may not elect to use all of these options.
  - b. **Investment Options**-- Mercantile Bank of Michigan HSA Checking Account balances in excess of \$1,000.00 may be transferred from the Mercantile Bank of Michigan HSA Checking Account into Investment Options, an investment custodial account consisting of a variety of nationally-recognized mutual fund Investment Options. Available mutual fund Investment Options may be viewed at [www.mercbank.com](http://www.mercbank.com).
2. **Investment Options Providers**-- Mercantile Bank of Michigan is not a registered investment advisor, nor is the Bank acting in the capacity of a registered investment advisor with respect to the offering of Mercantile Bank of Michigan HSA Investment Account Investment Options. The following entities have been engaged to support delivery of the Investment Options:

<b>Registered Investment Advisor:</b>	Devenir Investment Advisors, LLC ( <b>Devenir</b> ) – Minneapolis, MN
<b>Record keeper:</b>	Interactive Retirement Systems ( <b>Interactive</b> ) – Bloomington, MN (Running SRT Investment Recordkeeping)
<b>Clearing Firm (Sub-Custodian):</b>	Matrix Settlement and Clearing Services ( <b>Matrix</b> ) – Denver, CO



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#### SUPPLEMENTAL TERMS AND CONDITIONS

##### *1. Contributions, Withdrawals, and Transfer of Funds between Sub-Accounts and Investment Options*

- a. **HSA Contributions**--You agree to make all HSA contributions directly into your Mercantile Bank of Michigan HSA Checking Account. You acknowledge that you cannot make contributions directly to your Investment Options.
- b. **Transfers to Investment Options**--You may only fund your Investment Options with funds from your Mercantile Bank of Michigan HSA Checking Account.
- c. **HSA Distributions**--You agree to take all distributions from your HSA through your Mercantile Bank of Michigan HSA Checking Account. You acknowledge that you cannot take distributions directly from your Investment Options. To withdraw, transfer or rollover funds to a new HSA Custodian, you agree to move your money from your Investment Options to your Mercantile Bank of Michigan HSA Checking Account. If your distribution request exceeds your Mercantile Bank of Michigan HSA Checking Account balance, you must transfer sufficient funds from the mutual funds in your Investment Options, which will come out of the mutual funds based on your current balance allocation instructions, and move these funds to your Mercantile Bank of Michigan HSA Checking Account to cover the distribution request. Failure to do this may result in overdraft fees.
- d. **Transfer of Funds between Your Investment Options and your Mercantile Bank of Michigan HSA Checking Account**--You agree that the only method available to move money between your HSA Investment Options and your HSA Checking Account is through electronic means accessible through the Mercantile Bank of Michigan Online Banking service.
- e. **Confirmation of Investment Transactions**-- For investments in the Investment Options, you agree to accept electronic confirmation of your trades. You may obtain immediate confirmation of any transaction in the Investment Options by either using the *e-Delivery, Print* screen function following each transaction, or by monitoring your account online through the *Transaction History* tab.
- f. **Trading Deadlines**-- Mutual fund trade orders must be submitted through the investment website no later than 3:00 p.m. EST for same business day execution. When both a buy and sell order are initiated on the same business day, the sell order will be executed on the same business day, and the buy order will be executed the next business day. Settlement takes place on the third business day.
- g. **Liquidation of Investment Options**-- To allow for possible market fluctuations, any request to withdraw in excess of ninety (90) percent of the funds invested in any one mutual fund Investment Option will result in full liquidation of all funds invested in that mutual fund. Liquidated funds will be redeposited into your Mercantile Bank of Michigan HSA Checking Account.

##### *2. Investment Management Responsibility*

- a. **Investment Advice**-- You agree and acknowledge that when you use the Investment Options portion of your HSA, you, are solely responsible for determining the nature, potential value and suitability for you of any particular investment allocation, selection and strategy.
- b. **Limited Custodial Duties for Investment Options**--You understand and agree that Mercantile Bank of Michigan has a limited role in your HSA Investment Options. You authorize and acknowledge that we do not review trades prior to execution. Our role is limited to administrative record keeping as required by the IRS. We do not provide any fiduciary services or investment advice.

- c. **Investment Accounts May Lose Value**-- Any amounts you direct to be transferred from your Mercantile Bank of Michigan HSA Checking Account to your Investment Options are not deposits or obligations of the mutual funds, or any bank. The Investment Options are not insured by the FDIC or by any other governmental agency, and are subject to investment risks, including the possible loss of the principal amount invested, and may fluctuate in value.
- d. **Prospectus**-- Before you make any investment, you should carefully review each fund's prospectus and consider its objectives, associated risks, and any fees or expenses that may apply. Investing entails the risk of loss of principal. You acknowledge and agree that a prospectus has been made available to you either electronically, or through a mutual fund's toll free phone number, prior to and following purchase of any investments in this program.

### 3. *Service Fees*

- a. **Monthly HSA Investment Account Service Fees**-- A \$4.25 HSA Investment Account fee is applied to the Mercantile Bank of Michigan HSA Checking Account monthly. You must maintain a sufficient balance in your HSA Checking Account to pay this fee, and authorize the Bank to deduct these fees from your Mercantile Bank of Michigan HSA Checking Account balance monthly.
- b. **Fees for Distributions**-- Mercantile Bank of Michigan does not charge a fee for distributions from the Mercantile Bank of Michigan HSA Checking Account or the Investment Options. If a distribution involves the liquidation of shares of a mutual fund that imposes a redemption fee, that fee will apply according to the terms of the fund's prospectus.
- c. **Fees for Rollovers**-- The Bank does not currently charge a fee if you transfer your HSA account balance to another HSA provider. If a transfer fee is imposed in the future, you will be notified of any fee change a minimum of thirty (30) days before it becomes effective. All rollovers or transfers out of your HSA Investment Account will require you to liquidate all holdings for cash distribution through your Mercantile Bank of Michigan HSA Checking Account. If a rollover distribution involves the liquidation of shares of a mutual fund that imposes a redemption fee, that fee will apply according to the terms of the fund's prospectus.
- d. **Mutual Fund Fees and Expenses**-- In addition to the Monthly Service Fees, mutual funds available through the Investment Options may also charge fees and expenses, including 12(b)(1) fees, as stated in each mutual fund's prospectus. Some mutual funds may impose exchange fees and/or redemption fees. Please review each fund's prospectus carefully before investing to ensure any potential fees are fully understood.
- e. **Payments to Service Providers**-- Some or all of the mutual funds available through the Investment Options, or their affiliated advisors and distributors, may make payments to the respective providers, or their affiliates for administrative, recordkeeping, transfer agent, and distribution services they provide in connection with distribution of the mutual fund. The mutual funds may make certain plan expense payments to Interactive for recordkeeping services it provides in connection with the Investment Options. These plan expense payments may be used in part to offset sub-custodial fees charged by Matrix, and the investment advisory fees charged by Devenir. This may create an incentive for Devenir, acting as investment advisor, to select mutual funds for the Investment Options which make such payments. A more detailed description of the methodology employed to select mutual fund Investment Options is outlined in the HSA Investment Policy, available at [www.mercbank.com](http://www.mercbank.com).

### 4. *General*

- a. **Use of Investment Accounts**-- You confirm and agree with respect to your use of the HSA Investment Account options:
  - That Mercantile Bank of Michigan, as Custodian, is responsible for meeting all requirements to report information to you and your beneficiaries, including without limitation, proxy and prospectus information on any investments you hold in the Investment Options. This information is accessible electronically through links provided at [www.mercbank.com](http://www.mercbank.com).
  - That you must direct the investment of your health savings account assets allocated to the Investment Options custodial account through Matrix by giving your investment directions directly to Bank's designated investment Record keeper. Mercantile Bank of Michigan's investment Record keeper will communicate all such directions to Matrix. Matrix is authorized and directed to follow all such directions received from Mercantile Bank of Michigan's investment Record keeper.
  - That Mercantile Bank of Michigan's investment Record keeper will have total responsibility for maintaining all records regarding your investment custodial account balances with Matrix.

- That your Mercantile Bank of Michigan HSA Investment Account is eligible to participate in the investment custodial account with Matrix because it is a "Health Savings Account" as defined under Section 223(d) (1) of the Internal Revenue Code of 1986.
  - That under the terms of your Mercantile Bank of Michigan HSA Investment Account, your investment assets may be aggregated in Mercantile Bank of Michigan's investment custodial account for investment purposes with the assets of other HSA Investment Account holders.
- b. **Access, Passwords and Security**--You will be responsible for the confidentiality and use of your access number(s), password(s) and account number(s). You agree to hold Mercantile Bank of Michigan harmless for any damages of any kind resulting from your intentional or accidental disclosure of access number(s), password(s), or account number(s) to any third party, including but not limited to, entities that aggregate account information or website content, or persons who are or claim to be acting as your agent, proxy, or investment manager. You agree to immediately notify Mercantile Bank of Michigan if you become aware of:
- Any loss or theft of your access number(s), password(s) and/or account number(s); or
  - Any unauthorized use of any of your access number(s), password(s) and/or account number(s).
- c. **Indemnification**-- You agree to defend, indemnify and hold Mercantile Bank of Michigan, Interactive, Matrix, and Devenir harmless from and against any and all claims, losses, liability costs and expenses (including but not limited to attorneys' fees) arising from your violation of this Supplemental Agreement, state or federal securities laws or regulations, or any third party's rights, including but not limited to infringement of any copyright, violation of any propriety right and invasions of any privacy rights. This obligation will survive the termination of this Agreement.
- d. **Notice of Errors**-- You agree to notify us of any errors you find on any statements within sixty (60) days of the mailing of such statements. In the absence of such notice, you shall be deemed to have approved the statement and we shall be relieved of and discharged with respect to all matters set forth.
- e. **Modifications**-- We may amend these Supplemental Terms and Conditions at any time. We will provide you with a copy of any amendment at least thirty (30) days before the amendment becomes effective. You will be deemed to have consented to any amendments if you do not close your Investment Options Account within such thirty (30) day period.
- f. **Governing Law**-- This Supplemental Agreement shall be construed and interpreted in accordance with the laws of the state of Michigan, except to the extent federal law applies.
- g. **Partial Invalidity**-- If any part of this Supplemental Agreement is held to be illegal or invalid, the remaining parts shall not be affected.
- h. **No Implied Waiver**-- Neither you nor our failure to enforce at any time or for any period of time any of the provisions of this Supplemental Agreement shall be construed as a waiver of such provisions, or your right or our right thereafter to enforce each and every such provision.
- i. **Notices**—Any notices permitted or required by this Agreement may be given by Mercantile Bank of Michigan to you at your e-mail or street address shown on the Bank's records or by posting on the website [www.mercbank.com](http://www.mercbank.com). Any notices given by you to the Bank must be to an email address that appears on such website and is clearly stated to be for the purpose of allowing you to give said notice or by writing to the Bank's main office at 310 Leonard St NW, Grand Rapids, MI 49504-4224.



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#### PROSPECTUS E-CONSENT

1. **We invite you to download, or print important fund information--** All the mutual funds are offered by prospectus only. Prospectuses contain more complete information on management fees, charges, and other expenses, and should be read carefully before investing.
2. **Electronic Delivery Consent--** You consent to receive the prospectuses for any mutual funds in the Investment Options in which you choose to invest electronically, and to read and agree to its terms before investing.
3. **Systems Requirements--** The mutual funds' online prospectuses are contained in hypertext markup language (HTML), and in Adobe Acrobat Portable Document Format (PDF). You may access a prospectus in HTML format without additional software. To access a prospectus in PDF, you must install Adobe Acrobat Reader on your computer, which may be obtained free of charge from <http://www.adobe.com/products/acrobat/readstep2.html>. Electronic delivery is provided free of charge; however, other online service provider charges may apply.



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#### TRADING DISCLOSURES

1. The mutual fund performance data quoted represents past performance, which is no guarantee of future results. Current performance may be higher or lower than the performance data quoted.
2. Prospectuses containing complete information, including most recent month-end total returns, management fee charges, and expenses, are available through the links provided in the Investment Options listing at [www.mercbank.com](http://www.mercbank.com), or by calling the toll free telephone number for each fund.
3. Investment return and the principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. An investment in mutual funds is not insured by the FDIC.
4. Although money market funds available in the Investment Options seek to preserve capital, it is possible to lose money by investing in these funds.
5. All funds in your Investment Options are purchased at net asset value (NAV), without a front-end load.
6. Some mutual funds may charge a short-term redemption fee if shares are held for less than the timeframe listed in the prospectus. Some mutual funds charge redemption fees regardless of how long shares have been owned. Any such redemption fees are disclosed in the prospectus for each mutual fund.
7. This document is not an offer to sell or a solicitation of an offer to buy shares in any Investment option.