

INVESTMENT POLICY STATEMENT

Health Savings Account – Investment Options

PROFILE

Name Mercantile Bank of Michigan

 310 Leonard Street

 Grand Rapids, MI 49504

Primary Contact John Byl 616-726-5870 jbyl@mercbank.com

Mercantile Bank of Michigan (the Custodian) is offering Health Savings Accounts (HSAs) to participants in High Deductible Health Plans who meet applicable IRS requirements.

Participants have the option to invest in Investment Options comprised of a variety of nationally-recognized mutual funds.

Funds in the Investment Options of the H S A Investment Account are not FDIC Insured, not an obligation of the Bank, not guaranteed by the Bank, may fluctuated in value, and involve investment risk including the possible loss of principal.

Custodian Mercantile Bank of Michigan

Advisor Devenir Investment Advisors – Minneapolis, MN, an SEC registered investment advisor

Eric Remjeske 952-345-0301 eremjeske@devenir.com

Lori Hansen 952-345-3261 lhansen@devenir.com

Recordkeeper Devenir Group, LLC – Minneapolis, MN

Geanet Wheeler 952-446-7408 gwheeler@devenir.com

Clearing Firm Matrix Settlement and Clearance (MSCS) – Denver, CO

Suzanne Walters 720-956-5497 swalters@mqtrustonline.com

INTRODUCTION

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding as to the investment goals and objectives applicable to an HSA investment program. This Investment Policy Statement will:

Establish reasonable expectations, objectives and guidelines in the selection of investments.

Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the program and understanding relative liquidity needs, including:

Describe an appropriate risk posture for the investment options.

Specify the target asset class policy.

Establish investment guidelines regarding the selection of investment managers, permissible securities and diversification of assets.

Specify the criteria for evaluating the performance of the program's assets.

Define the responsibilities of the Custodian and Advisor.

Encourage effective communication among the Custodian, Recordkeeper, Clearing Agent and Advisor.

The principal reason for developing a long-term investment policy and for putting it in writing is to enable both parties to protect the investment selection from *ad-hoc* revisions of sound long-term policy. The written investment policy will help the Advisor and the participant maintain a long-term perspective when short-term market movements may be distressing and the investment strategy might otherwise be questioned.

This IPS is not a contract. The Advisor and the Custodian use it at their own discretion. The IPS is intended to be a summary of an investment philosophy and the procedures that provide guidance for the Custodian and the Advisor. The investment policies described in this IPS should be dynamic. These policies reflect the Custodian's current status and philosophy regarding the selection of investments available to the HSA Program (Investment Options). These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to the HSA Portfolio, to the Custodian or to the investment markets.

It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

Plan Objectives:

Establish a mutual fund platform utilizing high quality mutual funds and online trading capabilities to participants.

Risk Tolerance:

Investment theory and historical investment market return data suggest that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (i.e. volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Portfolio is the determination of an appropriate risk tolerance. There are two primary factors that affect an Investor's risk tolerance:

Financial ability to accept risk within the investment program, and:

Willingness to accept return volatility

Taking these two factors and the inherent purpose of an HSA into account, the Advisor with the input of the custodian, has determined what it feels are acceptable risk levels are as follows:

Liquidity:

Custodian has expressed a need to maintain a minimum level of \$2,500 cash or cash equivalents (money market) in a participant's HSA [prior to allowing access to Investment Options].

Diversification:

HSA Investment Options shall include asset classes covering a range of investment categories to allow for diversification within the specified risk tolerance guidelines. HSA Investment Options shall be limited to mutual funds or unit investment trusts in the following categories:

Permitted Asset Classes

Cash or cash equivalents
Fixed Income – Domestic Bonds
Fixed Income – Non-U.S. Bonds
Equities – U.S.
Equities – Non-U.S.
Equities – Emerging Markets
Equities – REITs
Equity – Unit Investment Trusts
Mortgage-backed securities
Asset Allocation Funds
LifeStyle or LifeGoal Funds

Permitted Security Types

Equity and Fixed Income Mutual Funds and Money Market Funds

Investment Selection, Monitoring and Control Procedures:

Investment managers (including mutual funds, money managers) shall be chosen using the following criteria: (Not listed in any order of priority.)

Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance.

Costs relative to other funds with like objectives and investment styles. Expense ratios and fees: median to lower than average expense ratios for specific peer group category. Advisor may consider whether a fund pays 12b-1 fees or revenue sharing to keep participant monthly plan fees to a minimum.

Size of the proposed mutual fund: Fund should have a minimum of \$75 million in assets under management.

Length of time the fund has been in existence and length of time it has been under the direction of the current manager(s), typically no less than 1 year in either case; and whether or not there have been material changes in the manager's organization and personnel.

Style consistency: Fund should have no more than 20% of portfolio invested in unrelated asset class securities.

The historical volatility and downside risk of each proposed investment. Median to average risk as compared to peer group.

1, 3, 5 and up to 10 year returns evaluated against peer group and correlating index. Typically fall within 5 year; top 2 quartiles of peer group.

How well each proposed investment option complements other assets in the Investment Options.

The current economic environment.

The likelihood of future investment success, relative to other opportunities.

Availability to trade funds on the designated trading platform.

Reporting

Advisor and/or clearing firm shall provide Custodian with a report each quarter that lists all assets held by the Custodian on behalf of participant's showing the values for each asset and all transactions affecting assets within the Investment Options, including additions and withdrawals.

Custodian shall receive no less frequently than on a quarterly basis and within 30 days from the end of each quarter the following management reports in a form reasonably satisfactory to Custodian:

Portfolio performance results over the last quarter, year, 3 years and 5 years.

Performance results of each individual manager for the same periods.

Performance results of comparative benchmarks for the same periods.

Performance reporting shall be on a basis that is in compliance with industry standards.

Make any recommendations for changes of the above.

Meetings and Communication between Custodian and Advisor

As a matter of course, Advisor shall keep the Custodian informed of any material changes in the Advisor's outlook, recommended investment policy and tactics. Advisor shall also be available on a reasonable basis for telephone communication when needed.

Any material event that affects the ownership of the Advisor firm or the management of the Investment Options must be reported immediately to the Custodian.

Duties and Responsibilities

The Advisor

Advisor is expected to manage the Investment Options in a manner consistent with this Investment Policy Statement and in accordance with State and Federal law and the Uniform Prudent Investor Act. Advisor is a Registered Investment Advisor and shall act as the investment advisor and fiduciary to the Custodian until the Custodian and Advisor decide otherwise.

Advisor shall be responsible for:

Designing, recommending and implementing an appropriate asset allocation consistent with the investment objectives, risk profile, guidelines and constraints outlined in this statement.

Advise the Custodian about the selection of and the allocation of asset categories.

Identify specific permitted security types and investment managers within each permitted asset class through a thorough due diligence process.

Provide accessible resources so that the Custodian may provide the HSA participants, with a current prospectus, where applicable, as well as historical performance data for each Investment Option proposed for the HSA program.

Monitor the performance of all Investment Options.

Recommend changes to any of the above.

Prepare and present appropriate reports.

Shall vote proxies on behalf of the Custodian and participants according to the terms of the Proxy Voting Policy.

The Custodian

Oversight of the complete HSA Program.

Direct Advisor to make changes in investment policy upon the Custodian's request, to oversee and to approve or disapprove Advisor recommendations with regard to policy, guidelines, objectives and specific investments on a timely basis.

Provide all relevant information on Custodian's risk tolerances and notify Advisor promptly of any changes to this information.

Read and understand the information contained in the prospectus of each Investment Option in the HSA program.

Custodian designates its responsibility to vote proxies on behalf of the program's participants to the Advisor in accordance to the terms of the Proxy Voting Policy.

Obtain appropriate and necessary Patriot Act census data required from each participant in the HSA program.