

INVESTMENT POLICY STATEMENT
Health Savings Account Investment Options

American Chartered Bank (as Custodian) offers Health Savings Accounts (HSAs) to participants in qualified High Deductible Health Plans. In the American Chartered Bank HSA Investment Account, clients have the option to invest in Investment Options comprised of a variety of nationally-recognized mutual funds.

Funds in the Investment Options of the HSA Investment Account are not FDIC insured, may lose value and are not bank guaranteed.

American Chartered Bank 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 American Chartered Bank HSA Investment Account Investment Options. The following entities have been engaged to support delivery of the Investment Options:

Registered Investment Advisor: Devenir Investment Advisors – Minneapolis, MN

Recordkeeper: Interactive Retirement Systems – Bloomington, MN
(Running SRT Investment Recordkeeping)

Clearing Firm (Sub-Custodian): Matrix Settlement and Clearing Services (MSCS) – Denver, CO

INTRODUCTION

The purpose of this Investment Policy Statement (IPS) is to clearly delineate the investment goals and objectives applicable to the American Chartered Bank HSA Investment Options. This Investment Policy Statement will:

- Establish reasonable expectations, objectives and guidelines for investment selection
- Address relative liquidity requirements
- Create a framework for assembling a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the program, including:
 - ◇ Describing an appropriate risk posture for selected Investment Options
 - ◇ Specifying the target asset class policy
 - ◇ Establishing investment guidelines regarding investment manager selection, permissible securities, and diversification of assets
 - ◇ Specifying the criteria for evaluating the performance of the program's assets
 - ◇ Defining the responsibilities of the Custodian and Advisor
 - ◇ Encouraging effective communication between the Custodian, Sub-Custodian, and Advisor

The principal reason for developing and documenting a long-term investment policy is to protect investment selections from ad-hoc revisions of sound long-term policy by any party. The written investment policy helps to ensure that an appropriate long-term perspective is maintained when short-term market movements may be disappointing, and the overall investment strategy might otherwise be questioned.

This Investment Policy Statement is not a contract. The Registered Investment Advisor and Custodian use it at their own discretion. The IPS is intended to be a summary of the investment philosophy and procedures that provide guidance for the Custodian and Registered Investment Advisor. The investment policies described in this IPS are dynamic. They reflect the Custodian's current status and philosophy regarding selection of the Investments Options available to the HSA Program. This policy will be reviewed and revised no less than annually to ensure it adequately reflects any changes related to the American Chartered Bank HSA portfolio, the Custodian, or 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:

The overall objectives of the American Chartered Bank Health Savings Account Investment Program are to:

- Provide clients with a varied array of Investment Options across different asset classes
- Generate highly competitive net returns
- Minimize potential reputation risk.

Additionally, American Chartered Bank, as Custodian, wishes to provide an HSA Investment Platform that is:

- Customizable
- Cost effective
- Incorporates a best-of-breed mutual fund platform and/or a self-directed investment option utilizing a nationally recognized Sub-Custodian, which maximizes potential risk-adjusted return while minimizing potential reputation risk.

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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 (e.g., volatility of return) is associated with higher returns.

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
- Willingness to accept volatility in returns.

Taking these two factors, and the inherent purpose of an HSA, into account, the Custodian and Registered Investment Advisor determine the acceptable risk levels are as follows:

Liquidity:

The Custodian has expressed a need to maintain a minimum level of cash or cash equivalents (NOW account balances) in a participant's HSA at all times. Therefore, a minimum of one thousand dollars (\$1,000.00) of the American Chartered Bank HSA Investment Account portfolio shall be maintained on deposit at American Chartered Bank in order to qualify for the 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 individual marketable securities or packaged products (i.e., mutual funds or unit investment trusts) in the following categories:

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
- ◇ Lifestyle funds

Security Types

- ◇ Mutual Funds
- ◇ Stocks
- ◇ Bonds
- ◇ 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-- Target expense ratios should be in the lower 50% of each respective mutual fund asset class being used for the program. The Registered Investment Advisor may consider whether a fund pays 12b-1 fees or revenue sharing to keep participant monthly plan fees to a minimum. However, this consideration must be subordinate to the other objectives delineated in this document.
- Size of the proposed mutual fund-- Funds 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 one year in either case. Additional adjustments may be warranted based on whether or not there have been material changes in the manager's organization and personnel.
- Style consistency-- Funds should operate consistent with their stated investment objectives (i.e., minimize style creep).

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- Diversification--Funds should have no more than 20% of their 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.
- One, three, five, and up to ten-year returns evaluated against peer group and correlating index-- Typically fall within 5-year, top quartile of peer group.
- How well each proposed investment complements other assets in the Investment Options
- The current economic environment
- The likelihood of future investment success relative to other opportunities
- Under-performing or out of favor mutual funds will not necessarily be ejected from the Investment Options, but rather, additional funds that meet the due diligence criteria may be added to the Investment Options.
- When applicable, and where similar funds meet the other criteria set in this statement, consideration will be given to utilize the more commonly recognized mutual fund name.

REPORTING

The Registered Investment Advisor and/or Sub-Custodian shall provide Custodian with an omnibus level report each quarter that lists all assets held by the Custodian on behalf of the resulting participant's omnibus values for each asset, and all transactions affecting assets within the Investment Options, including additions and withdrawals.

Custodian shall receive no less than quarterly, and within 30 days from the end of each quarter, the following management reports:

- Portfolio performance results over the last quarter, year, three years, and five years
- Performance results of each individual manager for the same periods
- Performance results of comparative benchmarks for the same periods
- Any recommendations for changes of the above.

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

MEETINGS AND COMMUNICATION BETWEEN CUSTODIAN AND REGISTERED INVESTMENT ADVISOR

As a matter of course, Registered Investment Advisor shall keep the Custodian informed of any material changes in the Registered Investment Advisor's outlook, recommended investment policy, and tactics. In addition, the Registered Investment Advisor shall meet with Custodian no less than quarterly to review and explain the Investment Option's investment results and any related issues. The Registered Investment Advisor shall also be available on a reasonable basis for telephone communication when needed.

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

DUTIES AND RESPONSIBILITIES:

Registered Investment Advisor

The Registered Investment 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. The Registered Investment Advisor shall act as the investment advisor and fiduciary to the Custodian until the Custodian and Registered Investment Advisor decide otherwise.

The Registered Investment Advisor shall be responsible for:

- Designing, recommending, and implementing an appropriate group of investment alternatives for inclusion in the Investment Options that are consistent with the investment objectives, risk profile, guidelines, and constraints outlined in this statement
- Advising the Custodian regarding the selection of and allocation of asset categories
- Identifying specific assets and investment managers within each asset category through thorough an appropriate due diligence process
- Providing accessible resources so that the Custodian may provide HSA participants with a current prospectus, where applicable, for each investment proposed for the HSA Investment Options
- Monitoring the performance of all selected assets
- Recommending changes to any of the above
- Periodically reviewing the suitability of the Investment Options for the Custodian

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- Being available to meet with the Custodian at least quarterly, and at such other times within reason at the Custodian's request
- Preparing and presenting appropriate reports.

Custodian

Custodian shall be responsible for:

- Oversight of the HSA Program
- Defining the investment objectives and policies of the HSA Program
- Directing the Registered Investment Advisor to make changes in investment policy, and for oversight and approval or disapproval of the Registered Investment Advisor recommendations with regard to policy, guidelines, objectives and specific investments on a timely basis
- Providing all relevant information regarding Custodian's financial conditions and risk tolerances, and for notifying Advisor promptly of any changes to this information
- Reading and exercising all rights, including voting rights, as are acquired through the purchase of securities, where applicable and/or practical. Custodian shall vote proxies accordingly to the guidelines and restrictions outlined herein, where applicable, and otherwise according to Custodian's best judgment, unless such responsibility is delegated in writing to the Advisor.
- Obtaining appropriate and necessary Patriot Act census data from each participating individual.