INVESTMARK 3(21) FIDUCIARY SERVICES PROGRAM

The Investmark 3(21) Service is a "Co-Fiduciary" solution which provides plan fiduciaries with a proven partner to assist in fulfilling the fiduciary obligations to prudently select and monitor the plan's investments.

Investmark Retirement Plans Department

INVESTMARK

The Direction *of* Wealth

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I. OVERVIEW

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Through this arrangement with Investmark, plan sponsors will receive a recommended fund menu suitable to their plan's employee demographics. If the Plan sponsor agrees to offer the fund menu recommended by Investmark, Investmark will accept fiduciary responsibility [as defined under ERISA Section 3(21)(A)(ii)] for the investment advisory service. Investmark will monitor the performance of the funds in the plan, and provide comprehensive quarterly and annual reports. Investmark may at times recommend changes in the fund menu the plan sponsor has chosen; the plan sponsor must implement those changes in the plan in order to continue their participation in it.

II. ERISA SECTION 3(21)(A) FIDUCIARY DEFINED

The individuals responsible for administering and investing retirement plans, known as fiduciaries, bear significant responsibilities under the Employee Retirement Income Security Act (ERISA). Their duties have been described as among the highest known to the law. Fortunately, fiduciaries can obtain assistance in satisfying their duties, in part by shifting certain responsibilities to third parties and in part by engaging experts to help them meet their obligations and mitigate their fiduciary liability.

ERISA Section 3(21)(A) provides that a person is a fiduciary with respect to a plan to the extent:

1. he/she exercises any discretionary authority or discretionary control with respect to management of such plans, or exercises any authority or control with respect to management or disposition of its assets;
2. he/she renders investment advice for a fee or other compensation, direct or indirect, with respect to any monies or other property of such plan, or has any authority or responsibility to do so; or
3. he/she has any discretionary authority or discretionary responsibility in the administration of such plan.

ERISA Section 404(a) requires fiduciaries to satisfy the following duties:

1. *Exclusive Benefit Rule.* Act for the exclusive purpose of providing benefits to participants and paying reasonable expenses.
2. *Duty of Loyalty.* Discharge their duties solely in the interests of the employees who participate in the plan (that is, the plan participants).
3. *Prudent Person Rule.* Fiduciaries must act with the care, skill, prudence, and diligence that a prudent, knowledgeable person would use in similar circumstances.
4. *Diversification Requirements.* Fiduciaries must diversify the plan's assets in order to reduce the risk of large losses, unless it is clearly prudent not to do so.

Ultimately, it is up to the plan sponsor and/or those individuals employed by the plan sponsor to decide what level of fiduciary responsibility and legal liability, which can be considerable, they want to assume in connection with the operation of the retirement plan.

III. INVESTMENT ADVISERS ACT OF 1940 FIDUCIARY DEFINED

In choosing an investment professional to assist the plan sponsor in making decisions regarding the investment of plan assets, it is important to know the level of fiduciary responsibility and liability that individual is assuming.

The Critical Difference Between a Registered Representative and a Registered Investment Advisor (W. Scott Simon)

Maybe you've heard the word "fiduciary" mentioned a lot in the media over the past few years. A "fiduciary" is someone that manages money for the benefit of another called a "beneficiary." A fiduciary is bound by law to place the interests of its beneficiary first – before the fiduciary's own interests.

A "Registered Investment Advisor", subject to the Investment Advisers Act of 1940, is a fiduciary.

The legal investment advising standards that govern a non-fiduciary Registered Representative (stockbroker) and a fiduciary Registered Investment Advisor are very different.

A non-fiduciary stockbroker follow only the "suitability" standard, which doesn't require a stockbroker to place the interests of its clients ahead of its own. Under the non-fiduciary suitability standard, a stockbroker need provide only "suitable advice" to its clients.

A Registered Investment Advisor must follow the "trust" standard – the highest known in law – which requires it to place the interests of its clients ahead of its own and fulfill critical fiduciary duties of trust and confidence. Under the fiduciary trust standard, a Registered Investment Advisor owes fiduciary duties only to its investment clients.

Registered Representatives (stockbrokers), subject to the Securities Exchange Act of 1934, maintain that they are regulated heavily by the Securities and Exchange Commission ("SEC"), Financial Industry Regulatory Authority ("FINRA") and/or the various agencies in the states in which they do business. None of this less strict regulation concerning the "suitability" standard, though, registers stockbrokers with the SEC as investment advisors under the more strict regulation concerning the "fiduciary" standard of the Investment Advisers Act of 1940.

The critical difference between a Registered Representative (stockbroker) and a Registered Investment Advisor is that the Registered Investment Advisor is subject to the high fiduciary legal standard when providing investment advising services while the Registered Representative (stockbroker) is not. This difference could have a major impact on your investment portfolio and your retirement lifestyle.

Who do you want assisting you with the investment decisions regarding plan assets, a non-fiduciary Registered Representative (stockbroker) or a Registered Investment Advisor who assumes a co-fiduciary role? Ask the question of your investment professional, are you acting in a fiduciary capacity as defined in ERISA?

IV. OVERVIEW OF SERVICES

Investmark offers a 3(21) "Co-Fiduciary" solution where the plan sponsor and Investmark ("RIA/Advisor") are deemed a plan investment fiduciary. If the plan is sued, the 3(21) Advisor sits with the plan sponsor in a court of law.

The plan sponsor selects Investmark as the registered investment advisor (RIA) to act as the plan fiduciary under ERISA Section 3(21). Through this arrangement, the plan sponsor/trustee and RIA share fiduciary responsibility and legal liability for the investment decisions made at the plan level. This is also known as a co-fiduciary arrangement. So when a trustee or other plan fiduciary requests the input of the RIA who is acting as an investment advisor fiduciary about decisions regarding the investment of the plan's assets, the RIA is liable for the advice he or she gives. It's important to note that the responsible plan fiduciary is still liable for the decision to implement that advice.

Investmark Offers:

An Objective Viewpoint

- Investment advice and selection free from proprietary conflicts
- A compensation structure that ensures our interests are aligned with yours
- Unbiased vendor recommendations and fee benchmarking and analysis

Wide-Ranging Investment Expertise

- Investment Policy Statement development
- Investment selection and monitoring
- Qualified Default Investment Alternative (QDIA) review

Fiduciary Management and Oversight

- Contractual sharing of fiduciary role
- Establishment of investment committee process and protocols
- Maintenance of audit file and other documentation
- Quarterly reporting
- Comprehensive plan reviews and benchmarking

The Information Your Participants Need

- Asset allocation models
- Customized participant communications
- General information related to investment concepts

V. INVESTMENT STRUCTURE

The Investment Structure is designed to meet the requirements of ERISA Section 404(c) for participant directed plans.

Many 401(k) providers tout all of the investment options available on their platform. But the reality is that participants are often overwhelmed by too much choice. Faced with mountains of data about dozens or even hundreds of funds, participants often develop "analysis paralysis" and end up making hasty, impulsive decisions about one of the most important things in their lives, their retirement assets.

We have developed the Investmark 3(21) Fiduciary Services Program (the "Program") Investment Structure to overcome this problem. The investment structure of the Program will allow participants to create investment portfolios by allocating their accounts among a group of prudently selected and monitored investment alternatives that together constitute a broad range of asset classes and investment styles.

The Program will include:

- A fund menu chosen with them in mind, based on employee demographics
- Investment options that have been carefully and objectively analyzed (Designated Funds)
- Ongoing monitoring of investment options
- An opportunity to achieve proper asset allocation among asset classes and diversification within them according to their goals and objectives
- A questionnaire that measures their individual risk tolerance and investment time horizon

- Model portfolios based on the results of the questionnaire
- Asset allocation funds which enable a participant to invest in a single diversified account (i.e., Balanced Funds and/or Target Date Funds)
- Qualified Default Investment Alternative (QDIA) for participants who fail to direct the investment of their accounts
- The use of predominately institutional class mutual funds which incur much lower expenses and therefore often generate a higher net return than comparable retail funds that trade more often

VI. FIDUCIARY DELIVERABLES

- 3(21) Brochure
- Retirement Plan Consulting Agreement
- Written Co-fiduciary Acknowledgement
- Professional Investment Committee Oversight
- Quarterly Investment Committee Update
- Investment Policy Statement
- Guide to Fund Evaluation Monitoring and Methodology
- Quantitative research that supports investment philosophy, methodology and processes
- Recommended Fund Menu
- Recommended Fund Options Commentary
- Fund Mapping Chart (if applicable)
- Asset Allocation Models
- Quarterly Investment Portfolio Review and Report
- Comprehensive Plan Reviews and Benchmarking

VII. WHAT DIFFERENTIATES INVESTMARK AND ITS PROGRAM?

Retirement Plan Investment Committee

- Investmark has a formal Retirement Plan Investment Committee (Investment Committee) which is charged with the management and oversight of its processes and protocols used in developing and maintaining its Recommended Fund Menus
- All voting members of the Investment Committee, in addition to other professional designations (CFP, CFA) , hold the Accredited Investment Fiduciary (AIF) designation
- Investment Committee meetings are held quarterly
- A summary of all Investment Committee meetings are distributed to all retirement plan investment clients
- A formal investment strategy, structure, and processes are documented in the Investment Policy Statement
- The Investment Committee maintains minutes of all meetings
- Maintenance of audit file and other documentation

Reporting and Communication

Reporting: Quarterly Investment Portfolio Review Package

- This is a quarterly review that monitors fund performance on multiple levels and details actionable items, if any, for the coming quarter
- The report insures that the investments in the plan are in accordance with guidelines detailed in the Investment Policy Statement
- The report includes Investment Committee meeting minutes (if applicable) and Market and Regulatory Updates.

Reporting: Comprehensive Plan Reviews

Comprehensive plan reviews report:

- Plan Assets
- Fund Assets
- Plan Participant Demographics
- Benchmark Comparison
- Communication: client review meeting as desired

Fiduciary Status

- Investmark is a named, in writing, as an investment co-fiduciary for the investment services it provides to its clients as defined in ERISA Section 3(21)(A)

Employee Communications

- Formal education plan
- Group and individual enrollment meetings
- Offer individualized investment advice
- Customized employee education and enrollment materials

VIII. SUMMARY

Investmark has created one of the most innovative, comprehensive, and cost efficient fiduciary mitigation solutions available in the marketplace today.

INVESTMARK

Investmark Advisory Group

Shelton ♦ Stamford ♦ Glastonbury

The Direction of Wealth

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5/25/2016