



## **Luxury Expenditure Policy**

**Board Approval: September 28, 2016**  
**Prior Board Approval: September 16, 2015**

## **Policy Guidelines**

The board of directors and executive officers of Citizens Commerce National Bank are committed to complying fully with the requirements of the Troubled Asset Relief Program (“TARP”) Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) pursuant to requirements set forth in the Emergency Economic Stabilization Act of 2008 (“EESA”), as amended by the American Recovery and Reinvestment Act of 2009 (“ARRA”) during the period that the Bank participates in the TARP Capital Purchase Program.

This policy fulfills the requirements under the American Recovery and Reinvestment Act of 2009 (ARRA) enacted February 17, 2009. ARRA requires each recipient of funds under the Capital Purchase Program (“CPP”) of the TARP to have in place a bank-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury.

## **Policy**

The board of directors and the executive management of Citizens Commerce National Bank (“Bank”) prohibits excessive or luxury expenditures on office or facility renovations, entertainment and events, aviation or other transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives or other similar measures conducted in the normal course of business operations of the Bank. All employees and directors of the Bank are to comply with business related expense guidelines in the Business/Capital Expenditure Policy and the Employee Handbook.

## **Role of the Board of Directors**

The board of directors is required by the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) to adopt a policy regarding excessive and luxury expenditures. The Board has oversight responsibility for the Bank’s compliance with the requirements of TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30). In support of its oversight responsibilities, the Board shall have the following roles:

1. The board of directors must review and approve this policy on an annual basis, or in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30), in such time frame required by the amendment.
2. The board shall review any exceptions to this policy at the next regularly scheduled meeting following the exception.

**Role of Executive Management** Executive management shall include Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and all Executive Vice Presidents. Executive management is responsible for the effective implementation of this policy. To that end, executive management shall have the following roles:

1. Monitor expenditures addressed by this policy to ensure compliance.
2. Document and justify any exceptions to this policy and report exceptions to the board.
3. Promptly recommend modifications of this policy to the board to ensure it remains compliant with the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) as it may be amended.
4. Ensure that this policy is posted on the bank website.

### **Renovations**

Renovations of facilities and office spaces should be relative to the approved current budget and/or strategic plan. At no time should renovations be considered that would have the appearance of being extraordinary or excessive from a shareholder perspective. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use.

### **Entertainment**

Entertainment is defined as an activity where an employee, officer or director would use corporate funds for business development purposes relating to a current customer(s) or prospective customer(s) or to further enhance the Bank's business development efforts. Our expectation is that all expenses ultimately paid by the Bank would be for Bank purposes, and used to improve or increase business to the Bank. Occasional events such as taking a customer to golf outings, eating dinner, etc. is a necessary part of the Bank's marketing efforts and is not deemed as "excessive" entertainment or a violation of this policy. Entertainment expenses should be documented on the employee expense reimbursement form. These expenses should be documented and detailed as to the benefit derived by the Bank regardless of the amount. Entertainment expenses exceeding \$100.00 per person should have prior executive management approval.

### **Conferences**

All staff is encouraged to attend conferences that are appropriate educational opportunities. These conferences should be related to the financial services industry and have a direct correlation to their job. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities. All expenses for personal travel, (i.e. spouse traveling with employee, additional days, etc.) shall be paid by the employee, officer or director with no reimbursement from any party. This policy prohibits attendance at "reward conferences" whether paid for by the Bank or other vendors if the purpose is meant to be a reward. Any employee, officer, or director in attendance at a reward conference would be considered in violation of this policy, regardless of who paid - if the conference has no business or educational value.

### **Aviation or Transportation Services**

Transportation for the Bank staff to bank locations, conferences, business development purposes, etc., should be conducted in the most cost appropriate way for the Bank. The traveling employee will provide to the CFO for approval, an analysis of transportation methods justifying the recommended choice. This analysis shall include cost, efficiency and timeliness of travel.

### **Other Similar Items, Activities or Events**

Other similar items, activities or events for which the Bank may incur expenses, or reimburse an employee for incurring expenses, which are not specifically addressed elsewhere in this policy

shall be for legitimate business purposes and reasonable in nature and amount. All meetings or events attended by the executive management and/or board members shall be devoted to specific business purposes. Participating senior executive officers and board members shall be responsible for any expenses incurred for non-business related activities, and shall promptly reimburse the Bank for any such expenses if paid by Bank.

**Approval for Payment**

All expenses permitted under this policy shall be approved strictly in accordance with the Bank's Business/Capital Expenditure Policy. Any violations of policy will be reported to the board on the next regularly scheduled board meeting. All employees can and must report known violations to the executive management or the board of directors. Employees violating the provisions in this policy may be subject to discipline in accordance with the Employee Handbook, up to and including termination of employment.

**Certification**

Annually, the CEO and CFO shall certify as to their understanding of and compliance with this policy.