



**CITIZENS BANK AND TRUST CO.**

# **Excessive or Luxury Expenditure Policy**

**BOARD APPROVED:**

**NOVEMBER 17, 2010**

## A. Purpose

The Board of Directors of Citizens Bank & Trust Co. (the “Bank”) has adopted this Excessive or Luxury Expenditure Policy (“Policy”) in compliance with the requirements under the American Recovery and Reinvestment Act of 2009 (“ARRA”) enacted February 17, 2009. The ARRA, which amends certain sections of the Emergency Economic Stabilization Act of 2008, requires each recipient of funds under the Capital Purchase Program of the Troubled Assets Relief Program (“TARP”) to have in place a bank-wide policy regarding excessive or luxury expenditures during the period that the Bank participates in TARP, as identified by the Secretary of the Department of the U.S. Treasury (“Treasury”).

- It is the Bank’s Policy to prohibit excessive or luxury expenditures with respect to the following:
- Entertainment and events;
- Office and facility renovations;
- Aviation or other transportation services; and
- 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 Bank business operations.

Executive management of the Bank 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 Compensation Committee to ensure that it remains compliant with the TARP Standards for Compensation and Corporate Governance as defined by the Treasury (31 CFR Part 30) as it may be amended.
4. Ensure that the Policy is posted on the Bank website.

This Policy applies to all employees of the Bank. Additionally, this Policy specifies prohibited expenditures, approval procedures for expenditures that require prior approval, certification requirements of the Principle Executive Officer (“PEO”) and Principle Financial Officer (“PFO”), the reporting of actual or suspected violations, and compliance monitoring.

## B. Scope of Policy

The types and categories of expenditures covered by this Policy are as follows:

1. **Entertainment:** Entertainment is defined as an activity that an employee or executive officer would use corporate funds for business-development purposes relating to a current customer or prospective customer or to further enhance the Bank’s marketing efforts. The Bank’s Policy is that all expenses incurred by the Bank should be for corporate purposes and used to develop business of the Bank. Occasional events such as taking customers or prospects to; play golf, eat lunch or dinner, or to other events the customer/prospect would find pleasurable is a necessary part of Bank marketing efforts and not deemed as “luxury” or a violation of this Policy. These expenses should be documented and detailed as to the benefit derived by the Bank through the normal accounts payable process.

2. **Conferences/Events:** The Bank encourages its employees and officers to attend conferences that are appropriate educational opportunities. These conferences must be related to the financial services industry and have a direct correlation to their job. At times, it may be appropriate that a spouse would travel to these conferences with Bank attendees at the employee or spouses expense. Typically, vendors, banking associations, or other industry-related entities sponsor these conferences. Meetings and conferences may include both those that are internally organized as well as those organized by other banks, trade associations, vendors and similar organizations. A supervisor or member of executive management of the Bank must approve the cost of such meetings and conferences in advance.
3. **Employee Recognition/Holiday Parties:** Employee recognition/holiday parties are part of the Bank's employee appreciation process. These events should be local in geographic nature and reasonable in cost.
4. **Board/Management Retreats:** Retreats shall only be used for educational or business-planning purposes. Board education is a vital part of maintaining and keeping a dynamic director base and this Policy should not limit a retreat that is focused on strategic planning or education.
5. **Office and Facility Renovations:** Renovations of facilities and office spaces should be relative to the approved project and current business plan of the Bank. An exception will be permitted to address an emergency, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use. Expenditures for office furnishings, remodeling, or redecoration for any senior executive officer as defined in the EESA ("SEO"), the aggregate cost of which exceeds \$1,000, is generally prohibited. This prohibition does not extend to a corporate relocation or remodeling affecting a majority of the corporate offices or a newly-constructed branch, branch renovation, or branch relocation.
6. **Aviation or Other Transportation Services:** Transportation for Bank staff to outlying locations, including bank locations, conferences, business development purposes, and merger and acquisition research, should be conducted in the most cost-appropriate way for the Bank. Modes of transportation to be used may consist of vehicle, commercial air, or rail service. The selection of transportation services will factor in cost, efficiency, and timeliness of travel. Expenditures for the use of an automobile by Bank officers must be reasonable. Private air services are not allowed without the approval of the Bank's Principle Executive Officer ("PEO").

### C. Expenditures Requiring Prior Approval

1. **General:** The following expenditures require the pre-approval of the PEO, PFO or CFO if the amount exceeds \$1,000 and are not otherwise prohibited by this Policy:
  - a. entertainment, conferences, board/management retreats, or other events;
  - b. office and facility renovations;
  - c. aviation or other transportation services; and
  - d. other similar items, activities, or events for which the Bank may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses.
2. **Exceptions:** Notwithstanding the foregoing, prior written approval is not required for the following expenditures:

- a. to remediate emergency or hazardous conditions;
- b. to comply with building codes and ordinances;
- c. to satisfy legal, contractual, or regulatory requirements; and
- d. under the Board-approved annual operating budget.

**D. Administration and Certifications**

The Bank's Principle Financial Officer ("PFO") and accounting staff are responsible for the day-to-day administration of this Policy, and the PEO is accountable for overall adherence to this Policy and must approve any exceptions. Strict adherence to this Policy is mandated for all Bank employees.

Within 90 days of the completion of each fiscal year of the Bank, the PEO and PFO of the Bank shall certify that the Bank and its employees have complied with this Policy during the fiscal year or since the date of enactment of this Policy and that any expenses requiring approval were properly approved. This certification shall be provided to the Department of the Treasury and the Louisiana Office of Financial Institutions .