

# **TODD BANCSHARES, INC.**

## **EXCESSIVE and LUXURY EXPENDITURE POLICY**

**Adopted December 18, 2009**  
*Amended July 16, 2010*

This Excessive and Luxury Expenditure Policy (this "Policy") is intended to comply with Section 111(d) of the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009 ("ARRA") which requires each institution receiving funds under the Capital Purchase Program ("CPP") of the Troubled Assets Relief Program ("TARP") to adopt a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the U. S. Department of the Treasury ("Treasury").

Todd Bancshares, Inc. and its subsidiary, United Southern Bank (collectively, the "Company"), prohibits excessive or luxury expenditures on entertainment or events, office and facility renovations, aviation or other transportation services or other activities or events that are not reasonable expenditures conducted in the normal course of business operations.

### **RENOVATIONS**

Renovations of facilities and office spaces should be relative to the approved project and current profit plan of the Company. 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. At no time should renovations be done that would have the appearance of being extraordinary or excessive from a shareholder perspective.

### **ENTERTAINMENT**

Entertainment is defined as an activity that a Company employee, executive or director would use corporate funds for business development purposes relating to a current customer or prospective customer, or to further enhance the Company's marketing, community or visibility efforts.

Our expectation is that all expenses relative to these activities would be incurred for Company purposes and used to enhance shareholder value. Occasional events including, but not limited to, taking customers or prospects on trips or outings, playing golf, out to dinner, or taking them to other events/parties the customer/prospect would find pleasurable is a necessary part of the Company's marketing and customer service efforts, and is not deemed as a "luxury" or a violation of this Policy. These expenses will be documented and will conform to the approval policy for expenditures of this type within the Company.

## **CONFERENCES**

We encourage the continued development of our employees through training and development opportunities. These conferences must be related to the financial services industry and the employee's specific responsibilities within the Company. All expenditures of this type must be approved in advance by the Chief Executive Officer or senior management. At times it may be appropriate that a spouse would travel to these conferences with Company attendees.

Typically these conferences are sponsored by vendors, banking associations, or other industry related entities. This Policy would exclude reward conferences whether paid for by the Company or other vendors as a violation of this Policy if the purpose is meant to be a reward, or would have no value of education to the employee.

## **EMPLOYEE RECOGNITION / HOLIDAY PARTIES**

We feel that employee recognition / holiday parties are part of an employee appreciation process and integral to the culture of the Company. These events will be local in geographic nature, and would include costs for such things as service awards or door prizes. These events should not be considered lavish or excessive from a shareholder perspective. All events of this type will be approved in advance by the Chief Executive Officer.

## **BOARD / MANAGEMENT RETREATS**

Board of Directors or Company management retreats may be necessary from an educational, strategic planning or other business purpose. Board and management education and planning is an important process in being a highly effective company. Costs for these events will be maintained in a reasonable manner and will be approved in advance by the Chief Executive Officer. Spouses may travel to Board or management retreats with Company attendees, provided that such retreat locations are readily accessible without excessive travel costs. The Company will be financially responsible for covering the expenses incurred in connection with spouse travel to conferences or sponsored events.

## **AVIATION SERVICES**

Transportation for Company employees to outlying locations, including conferences, business development purposes, and merger and acquisition due diligence and general bank business, should be conducted in the most cost-effective manner possible for the Company. 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. Private air services are not allowed without the prior written approval of the Chief Executive Officer or the Board of Directors.

## **ADMINISTRATION**

The Chief Financial Officer of the Company is responsible for the day-to-day administration of this Policy, and the Chief Executive Officer of the Company is accountable for overall adherence to this Policy and must approve any exceptions. Strict adherence to this Policy is mandated for all Company employees. Violations of this Policy shall be promptly reported to the Board of Directors. Following any approval of private air services by the Board of Directors or the Chief Executive Officer, the Chief Executive Officer shall certify that such approval was obtained and such certification shall be maintained in the Company's corporate records. This Policy, and any amendments hereto, shall be posted on the Company's internet website and provided to the Treasury.