

## **FRANKLIN BANCORP, INC./BANK OF FRANKLIN COUNTY**

### **EXCESSIVE OR LUXURY EXPENDITURES POLICY**

This policy fulfills the requirements under the American Recovery and Reinvestment Act of 2009 (“**ARRA**”) for the establishment of an Excessive or Luxury Expenditures Policy. ARRA requires each recipient of funds under the Capital Purchase Program of the Troubled Assets Relief Program to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the Treasury.

Franklin Bancorp, Inc. and Bank of Franklin County (collectively the “**Bank**”) prohibit excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services, and other similar items, activities, or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives, or other similar measure conducted in the normal course of business operations of the Bank.

#### **Renovations:**

Renovations of facilities and office spaces must be part of the Bank’s approved annual financial plan. 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 for which an employee or executive 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.

Our expectation is that all expenses incurred on behalf of the Bank would be for Bank purposes, and used to develop business for the Bank. Occasional events involving customers or prospects are a necessary part of the Bank’s marketing efforts and should not be deemed as “entertainment” or a violation of this policy. These expenses should be documented and detailed as to the benefit derived by the Bank.

#### **Conferences:**

We encourage our staff 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 jobs. At times it may be appropriate that a spouse would travel to these conferences with Bank attendees. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities.

#### **Employee Recognition/Holiday Parties:**

We feel that employee recognition and holiday parties are part of an employee appreciation process. These events should be local in geographic nature, and costs should be in line with the approved annual budget.

#### **Board/Management Retreats:**

Retreats should only be used for educational or business planning purposes, and should be considered and reviewed in the same view and discretion as all other expenses. 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.

#### **Aviation 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 automobile, 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 approval of the President of the Bank, with the exception of travel as a passenger on a third party-owned or leased aircraft paid for by the third party.

**Administration:**

The Chief Financial Officer is responsible for the day-to-day administration of this Policy, and the President is accountable for overall adherence to this Policy and must approve any exceptions. Strict adherence to this Policy is mandated for all Bank employees. Violations of this Policy shall be promptly reported to the President. Following any approval of any expenditure herein as required by this Policy, the Chief Financial Officer and the President shall certify that such approval was obtained and such certification shall be maintained in the Bank's corporate records.

This Policy, and any amendments hereto, shall be posted on the Bank's Internet website and provided to the U.S. Department of the Treasury.