



## **ELMIRA SAVINGS BANK, FSB**

# **EXCESSIVE AND LUXURY EXPENDITURES POLICY**

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**Approved By:**  
**Board of Directors**

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## EXCESSIVE AND LUXURY EXPENDITURES POLICY

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## ELMIRA SAVINGS BANK, FSB

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This policy has been adopted by the Board of Directors of The Elmira Savings Bank, FSB (“**Bank**”) to satisfy the requirement of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5, enacted February 17, 2009, that each recipient of financial assistance under the Capital Purchase Program of the Troubled Assets Relief Program, created by the Emergency Economic Stabilization Act of 2008, Pub. L. 110-343, adopt and maintain a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the United States Department of the Treasury.

### **GENERAL STATEMENT OF POLICY**

It is the Bank’s general policy to prohibit the payment of excessive or luxury expenditures. “Excessive or luxury expenditures” are expenditures on entertainment, events, office and facility renovations, aviation or other transportation services, and other similar items, activities, or events which are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures undertaken in the normal course of the Bank’s business operations.

### **LUXURY EXPENDITURE STANDARDS**

#### Entertainment and Events

Permissible entertainment expenses are those incurred by an officer or employee of the Bank for business development purposes relating to a current or prospective customer or business partner or for the purpose of furthering the Bank’s marketing efforts. Examples of permissible entertainment expenditures include, but are not limited to, occasional events such as taking customers or business partners to lunch or dinner, playing golf, hosting social or recreational events for prospective or current customers and/or business partners, and taking such persons on trips or to entertainment events.

Occasional recognition, holiday, and other events held by the Bank for its employees are an important part of rewarding and incentivizing the Bank’s employees. However, neither the cost of any single event nor the cumulative cost of all such events in any single fiscal year should be disproportionately large relative to the size of the sponsoring business unit’s budget, the regular compensation of the employees invited to participate in the event, and the anticipated tangible and intangible benefits to the

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Bank of such event(s).

Board and/or management retreats should be held only as necessary for educational or business planning purposes. Expenses incurred by the Bank for such an event should be commensurate with the goals to be accomplished at such an event.

Expenses for educational conferences and events attended by directors, officers, or employees of the Bank should not generally be subject to this policy, provided that such conferences or events provide educational opportunities relevant to the Bank's business and appropriate for the employees, directors, and officers of the Bank in attendance.

### Office and Facility Renovations

Renovations of facilities and office spaces that are not conducted for the purpose of repairing or correcting damage to or defects in such spaces or preparing such spaces for customer use should be undertaken only if consistent with a plan of construction or improvement approved by a senior executive officer of the Bank. Renovation expenditures should not be approved to the extent they unreasonably exceed the amounts necessary to render the space being renovated appropriate for its intended function(s).

### Aviation and Other Transportation Services

Expenditures for the transportation of Bank employees, officers, and directors should be incurred only if the transportation of such persons serves one or more legitimate business purposes and is commensurate with the business purposes being served. Unusual transportation expenditures, such as expenditures for private air transportation shall be permitted only with the approval of the chief executive officer or chief financial officer of the Bank.

## **APPROVAL PROCEDURES**

When required, expenditures requiring prior approval pursuant to this policy shall be approved in accordance with the following procedure: A business case shall be prepared and submitted to the person whose approval must be obtained, which person

shall review such business case and, if acceptable and the proposed expenditures are consistent with the goals and guidelines set forth in this policy, shall approve such expenditures.

## **VIOLATIONS**

Any violation of this policy shall be promptly reported to the Audit Committee of the Board of Directors using any means available for the internal reporting of Bank policy violations. Violations of this policy may result in disciplinary action, up to and including termination of employment, against those persons who cause such violations and/or against those persons accountable for policy adherence.

## **CERTIFICATION OF COMPLIANCE**

The Chief Executive Officer and the Chief Financial Officer of the Bank shall certify to the Bank's Board of Directors, to the Department of the Treasury, and to the Office of Thrift Supervision at least annually, in accordance with all applicable law, that the Bank and its employees have complied with this policy during the applicable period and that all expenses requiring approval pursuant to this policy have been properly approved in accordance with the requirements of this policy. Appropriate documentation and records to substantiate such certifications shall be preserved for six (6) years after the date of each such certification in accordance with applicable law.

## **FILING AND PUBLICATION OF POLICY**

A copy of this policy and all material amendments shall be filed with the Department of the Treasury and the Office of Thrift Supervision and posted on the Bank's website in accordance with the requirements applicable law.