

## EXCESSIVE OR LUXURY EXPENDITURES POLICY

This policy fulfills the requirements outlined in Section 111 of the Emergency Economic Stabilization Act of 2008 (EESA), as amended by the American Recovery and Reinvestment Act of 2009 (ARRA) enacted on February 17, 2009. Under the interim final rule (31 CFR Part 30), ARRA requires each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury.

First Bank of Charleston, Inc. (The Bank) prohibits excessive or luxury expenditures on entertainment and events, office or facility renovations, 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 measure conducted in the normal course of business operations of The Bank. This policy applies to all employees, officers and directors of The Bank.

### **Renovations:**

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

### **Entertainment:**

Entertainment is defined as an activity that 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 marketing efforts.

Our expectation is that all expenses ultimately paid by The Bank would be for company purposes, and used to steer and/or increase business to the Bank. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, taking them to other events the customer / prospect would find pleasurable is a necessary part of The Bank's marketing efforts and are not deemed as "entertainment" or a violation of this policy. These expenses should be documented and detailed and reported on the employee expense report and submitted for approval.

### **Conferences:**

The Board encourages our staff to attend conferences that provide appropriate educational opportunities. These conferences should be related to the financial services industry and have a direct correlation to the employee's job. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities. At times it may be acceptable and desirable that a spouse travels to these conferences with The Bank's employee or director as a regular and normal business function. In the event a spouse travels to the event any personal expenses incurred not related to the business function will be borne by the employee, director and/or spouse.

This policy prohibits attendance at reward conferences, whether paid for by the Company or other vendors. Any employee/officer/director attendance at a reward conference would be considered a violation of this policy—again, regardless of who paid—if the conference has no educational value.

### **Holiday Parties:**

The Board of Directors believes that a company-wide annual holiday party and/or a company-wide annual picnic are important in terms of employee appreciation and employee morale. Accordingly, this policy does not prohibit expenditures in conjunction with such events for employees and/or directors. However, such employee events must be local as neither overnight nor travel expenses will be paid by The Bank and the expenses associated with such an event should not appear extraordinary or excessive from a shareholder perspective. Other events, such as a company picnic or the occasional department party should be a fraction of that cost and deemed reasonable by any appropriate standard.

### **Board Retreats:**

Board retreats may only be used for educational purposes with the corresponding expenses deemed reasonable by any standard. It is recognized that Board education is a vital part of attracting and maintaining a dynamic director base, and this policy does not prohibit a retreat that is focused on strategic planning or board education.

Events and parties focused on customers for the purpose of attracting and/or further developing their business would not fall under this policy.

**Aviation Services:**

Transportation for The Bank's staff to outlying locations, including but not limited to schools, conferences, business development meetings, and merger and acquisition research, should be conducted in the most cost appropriate way for The Bank. Any determination of transportation analysis will factor in cost, efficiency and timeliness of travel as well as the need an purpose.

All expenses permitted under this policy shall be approved strictly in accordance with the Bank's Expense Authorization Policy. Any violations of any bank policy, in conjunction with the expenditures outlined in this Excessive or Luxury Expenditures Policy, will be reported to the Compensation Committee no more than 60 days from detection.

