

## **Morrill Bancshares, Inc.**

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### **Luxury Expenditure Policy**

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Prepared by  
The Management of  
Morrill Bancshares, Inc.

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Policy Adopted: September 3, 2009  
Board Ratified/Approved: October 27, 2009

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This policy fulfills the requirements under the American Recovery and Reinvestment Act of 2009 (ARRA) enacted February 17, 2009. 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.

**General Policy:** The employees and directors of Morrill Bancshares and its affiliates (“Company”) are prohibited from making any excessive or luxury expenditures in violation of this policy. The term “excessive or luxury expenditures” means excessive expenditures on any of the following to the extent such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Company’s business operations:

1. entertainment or events;
2. office or facility renovations;
3. aviation or other transportation services; and
4. other similar items, activities, or events for which the Company may reasonably anticipate incurring expenses, or reimbursing an employee or director for incurring expenses.

Reasonable expenditures may be incurred for business-related activities, events and purposes, including, without limitation, legitimate travel and meeting-related costs for attendance at conferences and meetings in appropriate environments for purposes of professional development, education, training, familiarization with Company products and services, and/or networking and best practice sharing across companies and industries; provided, however, such expenditures must conform with all applicable Company policies and procedures.

**Air Travel:** Air travel on Company business shall be by commercial airline or as a passenger on a third party-owned or leased aircraft paid for by the third party. Air travel by first or business class requires the prior approval of the Chief Executive Officer. The Company does not own or lease, and does not intend to purchase or lease, any private aircraft for use by Company employees or directors. If the Company deems it to be cost effective for the purposes of any particular event to charter the use of a small private aircraft, it may do so with the consent of the chief executive officer.

**Automobile Expenses:** The Company may provide automobiles of an appropriate make, model and age – but not luxury automobiles (defined as costing more than \$60,000 new) – for use by Senior Management. No other car will be provided for use by any Company employee or director (except as specifically required for the employee’s job) except with the prior approval of the Board of Directors. The standard rate for mileage reimbursement for directors and employees using their personal vehicles for business purposes is the IRS guideline in effect at the time of travel. Mileage should be tracked from the beginning point of travel (home or office) to the point of destination for business of the Company. Directors and employees will be reimbursed for parking and tolls when these expenses are required in the course of business related travel.

**Entertainment Expenses:** All expenditures by employees or directors for entertainment must comply with applicable Company policies and must have a business purpose. Requests for reimbursement for

such expenditures must be justified and supported by documentation in accordance with applicable Company policies and procedures. Entertainment is defined as an activity that an Employee or Executive would use corporate funds for business development purposes relating to a current customer(s) or prospective customer(s) or to further enhance the Company's marketing efforts.

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 Company's marketing efforts and is not deemed as "entertainment" or a violation of the Luxury Policy.

**Events:** Events are defined to include meetings, conferences, and employee recognition events that are intended to provide the Board, management and employees with opportunities for individual and team education, development and recognition, business planning, market and industry networking, and related business purpose objectives. Meetings may include both those that are internally organized as well as those organized by other banks, trade associations, vendors and similar organizations. Occasionally, Company organized meetings are held in non-Company facilities such as restaurants and hotels in order to accommodate the size of the group, facilitate better delivery of the meeting, or provide participants with a venue that is most conducive for the meeting's purpose. Directors, management and employees may also participate in meetings hosted by other business partners that have a clear business purpose. The costs associated with meetings must be included in the Board approved annual plan.

Employee recognition meetings, dinners and events are held occasionally to recognize the contribution of an individual, team or all employees. The cost of such meetings must be approved in advance by a member of executive management.

**Holiday Parties:** We feel that holiday parties are part of an employee appreciation process. Holiday parties should be local in geographic nature, and should not cost the Company more than an average day's payroll per employee, on average. (If the payroll is \$7M annually divided by 260 days, equals \$27K in expense available for an appropriate holiday party).

Board Retreats should only be used for educational purposes, and should be kept in consideration, and looked at 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.

Events and Parties focused on Customers for the purpose of attracting their business would not fall under this policy.

**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 job. 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. Conference participation is subject to approval by a member of executive management.

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 or executive.

**Facility and Office Renovations:** Office and facility renovations are permitted only for approved projects that are part of the Company's Board 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. Employees' offices, including executive offices, shall be appropriate for the employee's position but not ostentatious in size, furnishings or decoration. Materials used to construct or renovate offices and facilities shall be selected on the basis of their quality, appearance, cost and durability, considering their intended use and avoiding opulence. All expenditures for constructing, renovating, or furnishing offices must comply with applicable Company policies and procedures, which require Chief Executive Officer and/or Board of Directors approval, depending on the type and amount of the expenditure.

**Documentation:** All Company expenditures, including those expenditures covered by this policy, shall be documented, reported, supported by written invoices and receipts, and subject to audit in accordance with standard, uniformly-applied Company policies and procedures.

**Subsidiaries Subject to Luxury Expenditure Policy:** The following subsidiaries of Morrill Bancshares, Inc. are subject to this policy:

- FBC Financial Corporation (1<sup>st</sup> Bank Oklahoma)
- Morrill & Janes Bank and Trust Co.

**Reporting Violations; Disciplinary Action:** Anyone who becomes aware of a suspected or actual violation of this Policy, whether intentional or inadvertent, shall report such violation in writing to the Chairperson of the Company's Audit Committee. Employees are expected to self-report any violations concerning the employee. The Chairperson will discuss the suspected or actual violation at the next regularly-scheduled meeting of the Audit Committee, who will investigate the suspected or actual violation of this Policy in accordance with its procedures established for investigating complaints regarding improprieties in the Company's accounting, internal accounting controls, or auditing matters, and report to the Board at its next regularly scheduled meeting with respect to any reported violations and any recommended corrective actions.

**Certification of Compliance:** The Chief Executive Officer and the Chief Administrative Operating Officer shall certify at least annually that this policy is being followed and that the approval of any expenditure requiring prior approval of an executive officer or the Company's Board of Directors was properly obtained with respect to each such expenditure.