



## **LUXURY EXPENDITURES POLICY**

The policy of DeSoto County Bank (the “Bank”) concerning issues related to excessive or luxury expenditures is set forth as follows:

1. Definition of Excessive or Luxury Expenditures. The term “excessive” or “luxury” expenditures shall apply to costs and expenses not within reasonable and customary standards for institutions of similar size and characteristics as the Bank, in the general categories of expenditures related to (i) entertainment or events, (ii) office and facility renovations, (iii) aviation or transportation, or (iv) other similar types of expenses that could potentially be incurred by the Bank.
2. Statement of Underlying Policy. It is the policy of the Bank to not incur expenses related to travel, entertainment, events, office facilities, or related types of activities unless such expenses are designed to have a direct and positive impact on the core business of the Bank. To that end, such expenses should be related to continuing education and professional development, business development, or the improvement of quality of service offered to customers. It is the Bank’s policy not to incur excessive or luxury expenditures as defined in paragraph 1 above under any circumstances, and the Bank believes that such expenditures are not necessary in order to improve customer service or the core business of the Bank.
3. Prohibition of Certain Expenses Without Prior Approval. No officer, director, or employee of the Bank may commit, use, or request reimbursement of Bank funds for purposes of travel, entertainment, events, lodging, transportation, etc. unless such expenses are incurred in connection with attendance at events for the purpose of continuing education and professional development, or business development, that have been previously approved and accounted for within the officer, director, or employee’s customary annual budget for such expenditures.
4. Prior Approval for Extraordinary Expenses. In the event that an officer, director, or employee of the Bank has reason to incur expenses as described in paragraph 3 above, that have not been previously approved and accounted for within budget processes, such expense must receive prior approval as follows:
  - a. Expenses of up to \$2,500 may be approved by the CEO of the Bank.
  - b. Expenses in excess of \$2,500 shall be approved by the CEO of the Bank, and by the Board of Directors of the Bank.
  - c. Expenses of the CEO of the Bank in excess of budgeted expenses as described in paragraph 3 shall be approved by the Board of Directors of the Bank.



- d. Documentation of the approval process described in subparagraphs a – c above shall include a statement from the CEO of the Bank, and the CFO of the Bank, certifying that the appropriate review and approval processes have been completed in connection with the review of the requested additional expenditure.
5. Report of Violations. Any person who becomes aware of a violation or violations of any of the requirements of this Policy by any employee, officer, or director of the Bank, shall report such violations to the human resources officer of the Bank, or if the human resources officer is the subject of the violation, to the Chief Financial Officer. The human resources officer or the Chief Financial Officer shall confer with the Chief Executive Officer of the Bank, provided that the CEO of the Bank is not the subject of the violation. In the event the Chief Executive Officer of the Bank is the subject of the reported violation, then the Chairman or the Vice-Chairman of the Board of Directors shall be informed of and consulted in connection with the violation.
6. Accountability. In the event that a violation of this Policy is reported and confirmed pursuant to paragraph 5 above, the Bank shall take appropriate action against the employee, officer, or director, including without limitation reprimand, termination, or partial or full recovery of funds that may have been expended in connection with the unauthorized activity.