

EXCESSIVE AND LUXURY EXPENDITURES POLICY

Section 111 of the Emergency Economic Stabilization Act of 2008, as amended, and the regulations, interpretations and guidance issued thereunder ("EESA"), requires, among other things, that Company have in place certain written standards applicable to its employees that are reasonably designed to eliminate excessive and luxury expenditures with respect to entertainment and events, office and facility renovations, aviation and other transportation services, and other similar items, activities or events. This Policy is meant to fulfill such requirement during the period in which the U.S. Treasury ("Treasury") holds any debt or equity securities issued by Company under the Troubled Asset Relief Program Capital Purchase Program (such period, the "TARP Period").

During the TARP Period, the Company and its affiliates and subsidiaries, prohibits 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 Company's business operations:

- (1) Entertainment or events;
- (2) Office and facility renovations;
- (3) Aviation or other transportation services; and
- (4) Other similar items, activities, or events for which the TARP recipient may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

Entertainment:

Entertainment is defined as an activity that an employee or executive would use corporate funds for business development purposes relating to a current customer or prospective customer or to further enhance Company's marketing efforts.

Company's expectation is that all expenses incurred to Company would be for company purposes, and used to drive business to Company. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, or taking them to other events the customer/prospect would find pleasurable is a necessary part of Company's marketing efforts and is not deemed as "luxury" or a violation of this Policy, to the extent reasonable. These expenses should be documented and detailed as to the benefit derived by Company through the normal accounts payable process. Further, where the anticipated expense for participation in any single entertainment activity or event is reasonably expected to exceed \$250 in the aggregate, an employee (other than a Tier 1 senior executive officer of the Company) must have his or her participation in any such entertainment activity or event pre-approved in writing by a Tier 1 senior executive officer of the Company (i.e., pursuant to the Company's existing expense reimbursement process maintained and enforced by the Company's accounting

department). Any Tier 1 senior executive officer of the Company must comply with the Company's existing expense reimbursement process maintained and enforced by the Company's accounting department; provided, however, that any expense for any single entertainment activity or event that is reasonably expected to exceed \$1,000 in the aggregate must be pre-approved in writing by the Company's chairman. The accounting department will be prohibited from reimbursing any expense that is not documented in accordance with this Policy and the Company's existing expense reimbursement process maintained and enforced by the Company's accounting department.

Employee Recognition/Holiday Parties:

Company believes that recognition/holiday parties are part of an employee appreciation process. These events should be local in geographic nature, and may include such things as service awards and nominal door prizes. An event should not cost Company more than an average day's payroll per employee. Any event in excess of such threshold amount shall require prior approval by the Board of Directors of Company.

Board/Management Retreats:

Board or management retreats should only be used for educational or business planning purposes, and should be kept in consideration, and looked at in the same view and discretion as all other expenses. Board and management education is a vital part of maintaining, and keeping a dynamic director and executive base, and this Policy should not limit the retreat that is focused on strategic planning or education. Board or management retreats in excess of \$1,000 per capita shall require prior approval of the Board of Directors of Company; provided, however, quantitatively, we define as excessive and shall therefore prohibit a single occurrence or event where the per capita expenditure exceeds \$3,000.

Renovations:

Renovations of bank buildings are designed to enhance efficiency, comply with fire codes and ADA requirements, maintain a safe, sanitary working environment and to enhance the bank's image in the community. In general, renovations will be part of the bank's capital improvement budget which is approved by the Board of Directors annually. 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. Renovations of management office space in excess of \$1,500 per project that directly benefits management shall require prior approval of the Chairman of the Company.

Transportation Services:

Transportation for Company employees 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 Company. Company's accounting department will maintain, when appropriate, an analysis of trips to determine which mode of transportation is the most appropriate for Company and its shareholders. Modes of transportation to be used may consist of vehicle, commercial air or rail service (at commercially reasonable business class rates). A determination of transportation mode will factor in cost, efficiency and timeliness of travel. Private air services are not allowed without the approval of the Chairman of the Company.

Conferencés:

Company encourages its employees to attend conferences that are 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. Conference expenses in excess of \$500 per employee shall require prior approval of a Tier 1 level senior executive officer whereas conference expenses in excess of \$500 per individual Tier 1 level senior executive officer shall require the approval of Chairman of the Company; provided, however, quantitatively, we shall prohibit a single occurrence or event where the per capita expenditure exceeds \$3,500, without the approval of the Board of Directors.

Expenditures requiring prior approval must be submitted in writing to the individual(s) approving such expenditures no later than 5 business days prior to the date the expenditure will be incurred. The decision of the individual(s) approving such expenditures shall be final.

The Chief Executive Officer and Chief Financial Officer of Company shall certify that any expenditure requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the Board of Directors of Company was properly obtained with respect to each such expenditure.

All employees of Company are expected to comply with this Policy. Any violation of this Policy may result in disciplinary action up to and including termination of employment. Any violations of this Policy shall be immediately reported to the Company's Risk Management Officer, at (610) 668-4700.

To comply with section 111(d) of EESA, within ninety days after June 15, 2009, the Board of Directors of Company must adopt this Policy, provide this Policy to Treasury and its primary regulatory agency, and post the text of this Policy on its Internet website. After adoption of this Policy, Company must maintain the policy during the remaining TARP Period.

This Policy may be amended from time to time to clarify, modify or add provisions as necessary. If, after adopting this Policy, the Board of Directors of Company makes any material amendments to this Policy, within ninety days of the adoption of the amended policy, the Board of Directors of Company must provide the amended policy to Treasury and its primary regulatory agency and post the amended policy on its Internet website. This disclosure must continue through the TARP Period.