



Excessive Expenditure and Luxury Policy

Purpose

The Board of Directors of United American Bank (“Bank”) recognizes that compliance in The American Recovery and Reinvestment Act of 2009 (“ARRA”) includes the requirement that all recipients of funds in the Troubled Assets Relief Program (“TARP”) Capital Purchase Program (“CPP”) adopt a bank-wide policy regarding excessive or luxury expenditures.

The objective of this policy is to fulfill the Bank’s requirement pursuant to the TARP Standards for Compensation and Corporate Governance as defined by the Department of Treasury (31 CFR Part 30) to have in place a company-wide policy regarding excessive or luxury expenditures as defined by the Department of the Treasury pursuant to ARRA.

Board Statement

The Bank prohibits excessive or luxury expenditures on entertainment and events, office or facility renovations, transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives or other similar measures conducted in the normal course of business operations. All employees of the Bank are subject to this Policy and will be held accountable for compliance with this Policy.

Excessive or Luxury Expenditure Standard

The Bank prohibits excessive or luxury expenditures on:

- Renovations
- Entertainment
- Conferences
- Employee Recognition/Holiday Parties
- Board/Management Retreats
- Transportation Services
- Other activities or events that are not reasonable expenditures for staff development, reasonable performance incentives, or other similar measures conducted in the normal course of the Bank’s business operations.

For the purposes of this Policy, excessive or luxury expenditures are generally defined by the Bank as those expenditures which: 1) cannot be justified as a reasonable and prudent expense in the normal course of business; or 2) can be reasonably viewed as excessive or luxurious when other reasonable cost-efficient expenditures or methods are available but not utilized.

Expenditures related to the following events, matters and activities will be subject to the following requirements to the extent that such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Bank’s business operations:

Renovations: Renovations of facilities and office spaces should be relative to the approved project and current profit plan and tracked within the capital expenditure policy of the Bank. An exception can be allowed

if management must deal with emergency situations, 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 authorized that would have the appearance of being extraordinary or excessive.

Entertainment: Entertainment is defined as an activity in which an executive or employee would be using corporate funds for business development purposes relating to a current or prospective customer, or to further enhance the Bank's marketing efforts. The Board's expectation is that all expenses incurred to the Bank would be for Bank purposes and used to attract business to the Bank. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner or taking them to other events the customer or prospect would find pleasurable is a necessary part of the Bank's marketing efforts and is not deemed as "luxury" or a violation of this Policy. These expenses should be documented and detailed as to the benefit derived by the Bank through the normal accounts payable process. Events and parties focused on customers for the purpose of attracting their business would not fall under this Policy.

Conferences: The Board encourages the executives and 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 their job. At times it may be appropriate that a spouse would travel to these conferences with Bank attendees. Typically, these conferences are sponsored by vendors, banking associations or other industry related entities.

Employee Recognition/Holiday parties: The Board feels that employee recognition or holiday parties are part of an employee appreciation process. These events should be local, and would include costs for such activities as service awards and nominal door prizes. An event should not cost the sponsoring business unit more than an average day's payroll per employee.

Board/Management Retreats: Retreats should only be used for educational or business planning purposes, and should be kept in consideration and viewed in the same manner and discretion as all other expenses. Board education is a vital part of maintaining and retaining a dynamic director base and this Policy should not limit a retreat that is focused on strategic planning or education.

Transportation Services: Transportation for Bank staff to outlying locations, including bank locations, conferences, business development purposes and acquisition research should be conducted in the most cost appropriate manner. Modes of transportation may consist of vehicle, commercial air or rail service. The selection of transportation services will factor in cost, efficiency and timeliness of travel.

Other Similar Activates: All other activities or events that are not reasonable expenditures for staff development, performance incentives in accordance with written plans and policies or other similar expenditures incurred in the normal course of business must be approved by the CEO or the Chairman of the Board.

Reporting of Violations

Any individual who violates this Policy, or knows of any such violation by any other individual, must report the violation immediately to the Bank's TARP Compliance Officer, who shall then report the violation to the Chairman of the Compensation Committee or to the Chairman of the Board (if an alleged CEO violation). Any employee or director who engages in extravagant spending shall be subject to discipline up to and including termination of employment or removal from or omission of re-nomination to the Board.

Policy Exceptions

All exceptions to policy will require prior approval of the Chairman of the Compensation Committee.