

Excessive or Luxury Expenditures Policy

Purpose

The Board of Directors (Board) of Zeal Credit Union (Credit Union) prohibits expenditures that are not reasonable in nature. Expenditures of the Credit Union should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to the Credit Union's business objectives and needs. This policy identifies expenditures that are excessive or luxury expenditures, creates processes that are reasonably designed to eliminate such expenditures, and establishes accountability for compliance. Routine operating expenses, capital expenditures, and other reasonable expenses are not prohibited by this policy.

Authority

The Credit Union has authority to provide compensation and benefits that are reasonable. This policy establishes a prohibition on expenditures that are excessive or luxury expenditures as required by the Department of the Treasury's Emergency Capital Investment Program regulations (31 CFR part 35), and as may be required by other statutes and regulations.

Responsibility

This policy is the responsibility of the Credit Union's Board. The Board has approved this policy and will review compliance with this policy no less frequently than annually, and summary data on excessive or luxury expenditures will be reported to the board as part of the compliance review.

Scope

This policy applies to all employees, officers, and directors of the Credit Union regarding any expenditure of the Credit Union. In making any expenditure on behalf of the Credit Union, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy. Expenses included in the Board approved annual budget, including but not limited to off-site planning, Board meetings and member meetings, are not considered to be excessive or luxury expenditures and are excluded from this policy.

Excessive or Luxury Expenditures

"Excessive or luxury expenditures" means excessive expenditures on any of the following to the extent not reasonable or appropriate expenditures for member/business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Credit Union's business operations:

Entertainment and Events

Entertainment is defined as an activity whereby staff or management would use the Credit Union's funds for member/business development purposes relating to a current or prospective member, or to further enhance the Credit Union's marketing efforts.

Credit Union sponsorship of excessive or luxury expenditures on entertainment or events is strictly prohibited. Prior written approval from the President/CEO or Chief Financial Officer (CFO) shall be required for all non-budgeted single entertainment related expenditures exceeding \$5,000.

Conferences

We encourage our board and staff to attend conferences that are appropriate educational opportunities. Typically, these conferences are sponsored by vendors, banking associations, or other industry related entities. Transportation for Board and staff to meetings, conferences, training, business development and for other Credit Union related business must be reasonable and approved according to the Credit Union's policies and procedures.

Renovations

Renovations of facilities and office spaces should be relative to the approved project and current profit 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 use. At no time should renovations be done that would have the appearance of being extraordinary or excessive from a management or board perspective.

Transportation Services

Transportation for CU personnel to outlying locations, including branch locations, conferences, business development purposes and merger and acquisition research, should be conducted in the most cost appropriate way for the CU. Modes of transportation to be used may consist of vehicle, commercial air or rail service. Private air services are not allowed.

Other Similar items, Activities or Events

Other similar items, activities or events for which the Credit Union may incur expenses, or reimburse an employee for incurring expenses, which are not specifically addressed elsewhere in this policy, shall be for legitimate business purposes and reasonable in nature and amount. These activities or events shall be approved under the Credit Union's policies and procedures.

For the avoidance of doubt, reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of the Credit Union to provide products and services to its members and community are not excessive or luxury expenditures.

Required Reporting

The President/CEO and/or Board may delegate to an appropriate executive officer the authority to establish processes for the evaluation and approval of expenditures in the preceding categories that are not luxury or excessive expenditures and that are not otherwise exempt from this policy. These processes will be reviewed annually.

Any violations or departures from policy requirements shall be promptly reported to the President/CEO or Chief Financial Officer unless such violations or departures relate to the President/CEO or Chief Financial Officer. Violations or departures from this policy by the President/CEO or Chief Financial Officer should be promptly reported to the Oversight Committee.

Certification of Compliance

On an annual basis, the Credit Union will deliver to the Department of the Treasury a certification, executed by the President/CEO and Chief Financial Officer certifying that the Credit Union has complied with the requirements in 31 C.F.R. 35.22(c), which addresses restrictions on excessive or luxury expenditures.