



Excessive or Luxury Expenditures Policy

Regulatory Reference: Department of the Treasury (31 CFR Part 35, Docket No. TREAS-DO-2021-0004, RIN 1505-AC76, Appendix A)

Department/Business Line:	Executive
Date Approved by Board Committee:	N/A
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Author:	General Counsel
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Scope:	University Financial Corp., GBC and Sunrise Banks, N.A. <i>(and any parent, subsidiary, or affiliate, which shall be referred to collectively as the "Bank")</i>

Objective

It is the policy of Sunrise Banks, N.A. to comply with the Department of the Treasury's Emergency Capital Investment Program (31 CFR Part 35, Section 1. Subsection iii. and Appendix A) restrictions Excessive or Luxury Expenditures Limits, as part of the overall restrictions of Executive Compensation.

The Bank 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 ("ECIP") regulations (31 CFR Part 35), and as may be required by other statutes and regulations.

Responsible for Compliance

The Bank's board of directors ("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.

Internal Controls

Excessive or Luxury Expenditures Limits - Maintain policies designed to eliminate excessive or luxury expenditures defined as 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 Bank's business operations: (1) entertainment or events; (2) office and facility renovations; (3) aviation or other transportation services; (4) tax gross-ups (i.e., reimbursement of taxes owed with respect to any compensation); and (5) other similar items, activities, or events for which the Bank may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

Independent Testing

Testing of excessive or luxury expenditures adherence, related to this policy, are included in the Internal Audit Program.

Training

Key staff trained internally.

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I. POLICY STATEMENT

The purpose of this policy is to establish parameters and internal controls governing the expenditures of Sunrise Banks, N.A. (together with University Financial Corp., GBC, and each of their subsidiaries and controlled affiliates, referred to hereafter as the Bank). Expenditures of the Bank should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to the Bank'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.

II. DEFINITIONS

Emergency Capital Investment Program

Section 104A of the Community Development Banking and Financial Institutions Act of 1994, which was added by the Consolidated Appropriations Act, 2021, establishes the Emergency Capital Investment Program (ECIP) to support capital investments in low- and moderate-income community financial institutions. The program is available to eligible minority depository institutions and community development financial institutions that are (1) insured depository institutions, (2) bank holding companies, (3) savings and loan holding companies, or (4) federally insured credit unions. Under Section 104A, the Secretary of the Treasury is required to issue rules setting restrictions on executive compensation, share buybacks, and dividend payments for recipients of capital investments under the program. This interim final rule establishes these restrictions.

Excessive or Luxury Expenditures

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 Bank's business operations: (1) entertainment or events; (2) office and facility renovations; (3) aviation or other transportation services; (4) tax gross-ups; and (5) other similar items, activities, or events for which the Bank may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

III. SCOPE

Scope of this Policy

This policy applies to all employees, officers, and directors of the Bank with regard to any expenditure of the Bank. In making any expenditure on behalf of the Bank, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy.

IV. 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 business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Bank's business operations:

Entertainment or Events

This category includes fees, dues, tickets costs related to social, athletic, artistic and dining clubs, activities, celebrations or other events, and similar expenditures. Expenditures for charitable contributions and charitable events are not prohibited under this policy. Entertainment or events expenditures in an amount less than \$50,000 per instance, and \$250,000 on an

Office and Facility Renovations

This category includes costs and allowances for office renovation, including expenditures related to furniture, art, office personalization, interior finishing, design and decoration, and similar expenditures. Office and facility renovations expenditures in an amount less than \$50,000 per instance, and \$250,000 on an annual aggregate basis per individual, are exempt from this policy.

Aviation or Other Transportation Services

This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservation and travel agent expenses, and similar expenditures associated with transportation services (e.g., airline, train, rental cars, or vans). Mileage reimbursable according to current Internal Revenue Service mileage rates is exempt from this policy. Transportation services in an amount less than \$50,000 per instance, and \$250,000 on an annual aggregate basis per individual, are exempt from this policy.

The principal executive officer may establish or delegate to an appropriate executive officer the authority to establish processes for reimbursement of reasonable travel expenditures, which processes must be reviewed by executive management no less frequently than annually.

Tax Gross-ups

This category includes any reimbursement of taxes owed with respect to any compensation. This category does not apply to tax equalization agreements for employees subject to tax from a non-U.S. jurisdiction.

Other Similar Items, Activities, or Events for which the Bank may Reasonably Anticipate Incurring Expenses or Reimbursing and Employee for Incurring Expenses

Expenditures related to other items not listed in the preceding categories are exempt from this policy in an amount less than \$50,000 per instance, and together with all expenditures permitted under this policy, may not exceed \$250,000 on an annual aggregate basis per individual.

V. AVOIDANCE OF DOUBT

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

VI. PROCESS

The Bank chief executive officer may establish or 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 must be reviewed by executive management no less frequently than annually, as well as any additional threshold expenditure amounts per item, activity, or event, or a threshold expenditure amount per employee receiving the item or participating in the activity or event under this policy. Such approvals must be reported to the board of directors (which may be in an appropriate summary form) no less frequently than annually.

The Bank's luxury or excessive expenditure policy should be posted on the Bank's website. Any material amendments to the Bank's excessive or luxury expenditures policy must be made in accordance with the provisions set forth in 31 CFR 35.22(d) (Material changes in policies or procedures). If the Bank makes any material amendments to this policy, then the Bank must submit a copy of the amended policy to the Department of the Treasury and post the amended policy on the Bank's website.

VII. EXCEPTIONS OR VIOLATIONS

Any exception or violation of this policy must be promptly reported to the Bank's (i) chief executive officer, (ii) officer with primary responsibility for the Bank's compliance function, or (iii) officer designated with primary responsibility for overseeing the administration, monitoring, and compliance with this policy. Exceptions and violations must be reported to the board of directors no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of the Bank must adhere to this policy and will be held accountable for compliance. Any employee or officer who violates this policy may be subject to disciplinary action up to and including termination of employment.

Any employee or officer that is aware of any circumstance that may indicate a violation of this policy is required to report such circumstance to their supervisor or the Bank's principal compliance officer or compliance group. The Bank prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of the Bank's code of conduct, laws, regulations, or other Bank policies, including this policy. A finding of retaliation against any such employee or officer may result in disciplinary action up to and including termination. Failure to promptly report known violations by others may also be deemed a violation of the Bank's code of conduct.

Employees and officers may ask questions, raise concerns, or report instances of non-compliance with this policy and/or any of the existing underlying relevant policies by contacting the following: Legal@sunrisebanks.com

VIII. CERTIFICATION

On an annual basis, the Bank will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either Bank's chief executive officer or chief financial officer) certifying that (i) the Bank is in compliance with this policy and (ii) the approval of 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 (or a committee of such board), was properly obtained with respect to each such expenditure.