



The Simsbury BankSM

**Excessive & Luxury
Expenditure Policy**

EXCESSIVE AND LUXURY EXPENDITURE POLICY

I. Statement of Need

The Board of Directors and Executive Management of SBT Bancorp, Inc. (“SBT”) are committed to complying fully with the requirements of the TARP (Troubled Asset Relief Program) Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) pursuant to requirements set forth in the Emergency Economic Stabilization Act of 2008 (“EESA”), as amended by the American Recovery and Reinvestment Act of 2009 (“ARRA”) during the period that SBT participates in the TARP Capital Purchase Program.

II. Policy Objectives

The objective of this policy is to fulfill SBT’s requirement pursuant to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the 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 EESA and ARRA.

III. Role of the Board of Directors

The Board of Directors is required by the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) to adopt a policy regarding excessive and luxury expenditures. The Board has oversight responsibility for SBT’s compliance with the requirements of TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30). In support of its oversight responsibilities, the Board shall have the following roles:

1. The Corporate Governance Committee of the Board must review and recommend to the full Board of Directors approval of this policy on an annual basis, or, in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30), in such time frame required by the amendment.
2. The Board of Directors must review and approve this policy on an annual basis, or, in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30), in such time frame required by the amendment.
3. The Corporate Governance Committee shall review any exceptions to this policy at the next regularly scheduled meeting subsequent to the granting of the exception.

IV. Role of Executive Management

Executive management is responsible for the effective implementation of this policy. To that end, executive management shall have the following roles:

1. Monitor expenditures addressed by this policy to ensure compliance with this policy.
2. Document and justify any exceptions to this policy and report exceptions to the Corporate Governance Committee of the Board.
3. Promptly recommend modifications of this policy to the Corporate Governance Committee to ensure it remains compliant with the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) as it may be amended.
4. Ensure that this policy is posted on SimsburyBank.com.

V. Policy Statement

It is the policy of SBT that excessive or luxury expenditures on entertainment or events, office and facility renovations, aviation or other transportation services, and other similar items, activities or events for which SBT and its subsidiary may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses **are prohibited** 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 business.

VI. Definitions

1. Entertainment is defined as activities for which an employee or management would use corporate funds for business development purposes relating to current or prospective customers or to enhance SBT's perception in the market. Our expectation is that all expenses incurred for these activities would be for corporate purposes with the objective of attracting business to Simsbury Bank. Examples of entertainment include taking customers or prospects to restaurants, theater, sports events, concerts, golf, and other activities that the customer/prospect would find enjoyable and provide an opportunity to enhance business relationships. Expenditures for these purposes in the normal course of business are a necessary part of the SBT's marketing efforts and are not deemed as "luxury" or a violation of this Policy. Prior approval of expenditures for this purpose and consistent with SBT's prior practices is not required. These expenses should continue to be documented and detailed as to the benefit derived by the Bank through the normal accounts payable process. Entertainment and event expenditures anticipated to be in excess of \$500 must be reviewed with and approved by a member of executive management prior to expenditure.

2. Events are defined to include meetings, conferences, and employee recognition events that are intended to provide the Board, management and employees with opportunities for individual and team education, development and recognition, business planning, market and industry networking, and related business purpose objectives. Meetings may include both those that are internally organized as well as those organized by other banks, trade associations, vendors and similar organizations. Occasionally, SBT organized meetings are held in non-SBT facilities such as restaurants and hotels in order to accommodate the size of the group, facilitate better delivery of the meeting, or provide participants with a venue that is most conducive for the meeting's purpose. Directors, management and employees may also participate in meetings hosted by other business partners that have a clear business purpose. The costs associated with meetings must be included in the Board approved annual plan. Conferences typically offer educational, skill development and industry networking opportunities that enhance participant performance. These conferences should be related to the financial services industry and have a direct correlation to attendee's job. At times it may be appropriate that a spouse would travel to these conferences with SBT attendees. Conference participation is subject to approval by a member of executive management. Employee recognition meetings, dinners and events are held occasionally to recognize the contribution of an individual, team or all employees. The cost of such meetings must be approved in advance by a member of executive management.
3. Office and facility renovations are permitted only for approved projects that are part of the corporation's Board approved annual financial 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 customer use. Renovations must be in all regards consistent with SBT's historical standards of utility and finish.
4. Aviation and other transportation services for SBT staff to outlying locations, including for conferences, business development purposes and other purposes should be conducted in the most appropriate manner. Permitted modes of transportation include automobiles and commercial air, bus or rail service. The selection of transportation services should include assessment of cost, efficiency and timeliness of travel. Private air services are not allowed without the approval of the Chairman of the Board of Directors.