

EXCESSIVE OR LUXURY EXPENDITURE POLICY

AS AMENDED SEPTEMBER 21, 2010

This policy addresses the requirements under the American Recovery and Reinvestment Act of 2008 (ARRA) enacted February 17, 2009. Recipients of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) are required to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury.

Crosstown Holding Company (CHC) and its subsidiary, 21st Century Bank, prohibit excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other 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 of the company.

Furthermore, all directors, officers, and employees of CHC and its subsidiary, 21st Century Bank, are subject to the Excessive or Luxury Expenditure Policy and will be held accountable for compliance with the policy.

The following expenses have the potential for prohibited Excessive or Luxury Expenditures. Thus they are either prohibited or require specific executive management approval as indicated:

Renovations: Renovations of facilities and office spaces should be relative to the approved annual budget and/or strategic plan, and tracked within the capital expenditure policy of the company. These expenses must be pre-approved by the CEO of 21st Century Bank. If the amount exceeds \$50,000, the prior approval of the bank's Board of Directors shall be required.

At no time should renovations be done that would have the appearance of being extraordinary or excessive from a shareholder perspective.

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(s) or prospective customer(s) or to further enhance the company's marketing efforts.

Our expectation is that all expenses incurred to the bank would be for company purposes and used to drive business to the bank. Occasional events such as taking customers/prospects to play golf, out to lunch or dinner, or taking them to other events the customer/prospect would find pleasurable is a necessary part of the company's marketing efforts and is not deemed as "entertainment" as it pertains to the Excessive or Luxury Expenditure Policy. These expenses should be documented through the normal expense reimbursement policies of the company, and the amount of these and all expenses is reviewed monthly with the Board of Directors of 21st Century Bank as to reasonableness of its level. Amounts exceeding \$15,000 for a single entertainment venue will be carefully considered and require the prior approval of the Board of Directors.

Conferences: We encourage our staff 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. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities. All conferences must be pre-approved by the CEO of 21st Century Bank for any conference exceeding \$2,500 in total cost to attend and by the Board of Directors for those over \$12,500.

At times it may be appropriate that a spouse would travel to these conferences with the company employee, executive or director. In the event a spouse travels to the event, the spouse's travel expenses will not be paid by the company unless there is an appropriate spousal role included in the event, it is prior approved by the CEO, and spousal reimbursement or direct pay does not exceed \$2,500.00.

Company-Wide Events: We believe that company-wide parties (i.e., holiday parties, company-wide picnics) may be part of an employee appreciation process. These events should be local in geographic nature, and should be included in the company's normal budget process. Company-wide events should be relative to the approved annual budget of the company. These expenses must be pre-approved by the CEO of 21st Century Bank.

Events and parties focused on customers for the purpose of attracting their business would not fall under the Excessive or Luxury Expenditure Policy. However, such events must be approved by the CEO of 21st Century Bank for any event exceeding \$2,500 and by the Board of Directors for those over \$12,500.

Board and Management Retreats: Board and/or management retreats should only be used for either strategic planning or educational purposes and should be kept in consideration and looked at in the same view and discretion as all other expenses. Board education is a vital part of maintaining and keeping a dynamic director base and this policy should not limit the retreat that is focused on strategic planning or education.

Board and management retreats should be relative to the approved annual budget of the company. These expenses must be pre-approved by the CEO of 21st Century Bank at any amount greater than \$2,500 and by the full Board of Directors for amounts over \$12,500.

Modes of Transportation: Transportation for company staff to outlying locations (i.e., locations exceeding 50 miles from Mpls./St. Paul), including bank owned property locations, conferences, business development purposes and merger and acquisition research, should be conducted in the most cost appropriate way for the company. Modes of transportation to be used may consist of automobile, train, light rail, commercial air service, and private air service. A determination of transportation used by bank personnel should factor in cost, efficiency and timeliness of travel.

Private air costs are not allowed without the pre-approval of the CEO of 21st Century Bank up to \$7,500 per usage and the Board of Directors of the bank over that level.

Pre-Approval Process: The pre-approval process for expenditures listed above may be completed via e-mail between the appropriate approving individual (i.e., CEO) and the employee requesting the expense approval. This pre-approval process will normally follow these steps:

- Employee requests pre-approval for expense item(s) to appropriate manager via e-mail.
- If the expense is approved by the manager AND the manager is not authorized for approval of the expense, the manager forwards the request to their executive manager or CEO, as required.
- The executive manager or CEO approves/denies the request via e-mail and returns to the appropriate employees.

Certain expenses may also be prior approved in the current annual budget of 21st Century Bank.

Reporting Policy Violations: Employees of CHC or its subsidiary, 21st Century Bank, are to promptly report any suspected policy violations via confidential mail to either of the following directors:

- Jason McCarthy – 21st Century Bank Board of Directors Personnel Committee
- Jerome R. Stone – 21st Century Bank Board of Directors Personnel Committee

This should be mailed to the address shown on the bank's computer system for each of these individuals.

An employee who reports a suspected policy violation will be protected from retaliatory actions by the accused if the corrective actions require that confidentiality may not be maintained.

Policy Violations: Any employee(s) of CHC and its subsidiary, 21st Century Bank, who have been found to be in violation of the policy through an investigation conducted by the Directors listed above will be subject to disciplinary actions up to and including termination of employment.