

Background

This policy is set forth to fulfill the requirements under the American Recovery and Reinvestment Act of 2009 (ARRA) enacted February 17, 2009. ARRA requires each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) 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.

First Business Bank, N.A. (Bank) prohibits 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 initiatives or other similar measures conducted in the normal course of business operations of First Business Bank.

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 the Bank's compliance with these requirements and will fulfill the following duties:

1. The Personnel 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 of 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 of 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 Personnel Committee shall review any exceptions to this policy at the next regularly scheduled meeting subsequent to the granting of the exception and report its findings and recommendations to the Board of Directors for further action, if any.

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 Personnel Committee of the Board.
3. Promptly recommend modifications of this policy to the Personnel Committee to ensure compliance.

4. Ensure that this policy is posted to the Bank's website, www.fbbank.com.

Renovations, Improvements and New Construction

Renovations, improvements and new construction of facilities and offices spaces 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 or disaster recovery, and the expenditure is necessary to make the facility operational for customer use. Renovations, improvements and new construction must be in all regards consistent with the Bank's historical standards of utility and finish. At no time should renovations, improvements and new construction be done in a manner that would have the appearance of being extraordinary, or excessive.

Entertainment

Entertainment is defined as an activity that an Employer 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 Bank's marketing efforts.

The Bank's expectation is that all expenses incurred to the Bank would be for good business purposes, such as the generation or retention of appropriate relationships, staff recruitment, development and retention, and similar expenditures directed toward bank development. Occasional events such as taking customers or prospects short outings, playing golf, dining in connection with business discussions, taking them to other events the customer/prospect would find pleasurable is a necessary part of the Bank's marketing efforts and is not deemed as "entertainment" or a violation of the Luxury Policy. These expenses should not be documented and detailed as to the benefit derived by the Bank other than as necessary for normal recordkeeping as required for expense re-imbursment, tax deductibility and good business practices.

Awards for defined business development campaigns such as coach airfare, tourist class hotel accommodations, routine travel expenditures, and similar costs associated with travel awards are not considered luxury expenditures when included in financial plans for a bank-wide and department-wide program. Reasonable expenditures for prizes such as cameras, televisions, laptop computers, and similar prizes for such campaigns are also not considered luxury expenditures in an approved campaign of appropriate scope.

Conferences and Events

We encourage our staff to attend conferences that are appropriate and 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.

We feel that holiday gatherings and functions are part of an employee appreciation and staff development process. Holiday celebrations and similar events should be local in geographic nature, and should not cost the Bank more than an average day's payroll per employee, on average.

Board Retreats should only be used for 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 a retreat that is focused on strategic planning or education.

Aviation Services

Transportation for Bank staff to outlying locations, including bank locations, conferences, business development purposes and merger and acquisition research, should be conducted in the most appropriate way for the Bank. Permitted modes of transportation include automobiles and commercial air, bus or rail service. The selection of transportation services should include an 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, and no other method of transportation is appropriate. Commercial air travel for domestic destinations should be coach or tourist class.

Other Activities

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 in the normal course of business must be approved by the Chief Executive Officer 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 such individual's supervisor who shall then report the violation to the Chief Executive Officer 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. In keeping with committee and board reporting practices, policy exceptions must also be reported to the Personnel Committee and to the Board of Directors.