

Luxury Expenditures Policy

Purpose of this Policy

The Board of Directors of PHENIX PRIDE FCU (the “Credit Union”) has adopted this Excessive or Luxury Expenditures Policy (“the Policy”) to meet one of the compliance requirements under the American Recovery and Reinvestment Act of 2009 –ARRA- (which amends certain sections of the Emergency Economic Stabilization Act of 2008) and the interim final rules published on June 15, 2009 at 31 C.F.R. Part 30. These regulations require that financial institutions that have received funds from the United States Department of the Treasury under the Capital Purchase Program (Community Development Capital Initiative of the Troubled Assets Relief Program) adopt a company-wide policy regarding excessive or luxury expenditures.

Policy Statement

PHENIX PRIDE FCU (“the Credit Union”) prohibits excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services and all other activities. This includes unreasonable expenditures for conferences, staff development, performance incentives or other similar measures conducted in the normal course of operations.

All expenditures must be reasonable and appropriate. The list of activities below is not exhaustive and employees should continuously evaluate whether additional items, activities or events are susceptible to excessive spending.

This Policy applies to all employees, officers, directors and volunteers of the Credit Union. Additionally, this Policy specifies prohibited expenditures, approval procedures for expenditures which require prior approval, certification requirements of the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), the reporting of actual or suspected violations, and compliance monitoring.

Covered Expenditures

Conferences:

The Credit Union encourages staff and volunteers to attend conferences that provide appropriate educational and networking opportunities. These conferences should be related to the financial services industry and have a direct correlation to the staff member’s job or volunteer’s function. Expenditures for conferences will be approved through the annual budget process.

Employee Recognition/Holiday Parties:

The Credit Union believes that recognition and Holiday parties are important in terms of employee and volunteer appreciation and morale. Accordingly, this Policy does not prohibit expenditures in conjunction with such events but they should be reasonable in cost. However, such events will be held in local venues as neither overnight nor travel expenses will be paid by the Credit Union.

Entertainment:

Entertainment is defined as an activity that is for business development purposes relating to a current or prospective member, or for further enhancement of the Credit Union’s marketing efforts. All expenses incurred by the Credit Union should be for Credit Union purposes and used to develop business of the Credit Union. Events and parties focused on members for the purpose of attracting or retaining their business are not deemed as “luxury” or a violation of this Policy. These expenses should be documented and detailed as to the benefit derived by the Credit Union through the normal accounts payable process.

Renovations:

Expenditures for renovations or facilities and office spaces will be controlled by the approved current budget and/or strategic plan. Renovations and improvements of the Credit Union's offices and facilities are done to ensure a reasonably effective and productive work environment. An exception to this is allowed in an emergency situation, such as an act of nature, and the expenditure is necessary to make a facility operational for either employee or member use. Similarly situations which create a safety/health hazard will be remedied as promptly as possible to prevent accidents or harms to employees or members. Renovations that would have the appearance of being extraordinary or excessive to the Board of Directors should not be made.

Retreats:

Retreat for volunteers and employees will only be used for education purposes with such expenses controlled and monitored. It is recognized that management and volunteer education is a vital part of attracting and maintaining a strong official family and leadership base, and this Policy does not prohibit such retreats that are focused on strategic planning or education.

Travel and Transportation:

The Credit Union pays for reasonable and appropriate travel expenses incurred on behalf of the Credit Union. Transportation for Credit Union staff or volunteers to training venues, conferences, business development meetings or events and other business related transportation must be conducted in the most cost-efficient manner available. Decision as to the mode of transportation (e.g. automobile or commercial air service) must be appropriate to the nature of the business-related travel and should take into account factors such as distance, duration, timeliness of travel, weather considerations, etc.

Other Expenditures:

The Credit Union will continue to scrutinize all expenditures in keeping with the Credit Union's commitment to providing maximum value to the member owners. In the event that other significant expenditures not covered specifically by this Policy arise, senior management shall make a determination regarding the action that is most appropriate under the circumstances, including, if necessary, consultation with the Board of Directors of the Credit Union.

Prohibited Expenditures**The following expenditures are deemed excessive and are prohibited:**

Aviation Services and Travel: The Credit Union will not reimburse for first or business class travel. Private air services are not allowed under any circumstances. The Credit Union will not reimburse employees or directors for aviation or other travel-related expenses associated with any spouse or guest that may accompany them on a business trip. This would include travel, food and lodging.

Office and Facility Renovations:

Expenditures for office furnishings, remodeling, or redecoration for any senior executive officer as deemed in the EESA ("SEO"), the aggregate cost of which exceeds \$25,000. This prohibition does not extend to a corporate relocation or remodeling impacting a majority of the corporate offices or a newly-constructed branch, branch renovation, or branch relocation.

Expenditures Requiring Prior Approval and Approval Procedures

All expenses not included in the annual budget approved by the board must be prior approved by the appropriate financial officer and if they exceed \$5,000 by the board of directors. In addition, all

unbudgeted expenditures for office renovations and aviation services must be prior approved. The request for approval must be submitted in writing to a financial officer at least five days before the purchase is to be made.

The employee or director seeking approval for any expenditure covered by this Policy and not specifically prohibited must request approval in writing explaining the justification and business purpose for the proposed expenditure. The written request for approval should be submitted with as much lead time as is reasonably possible, and in any event no less than five business days for matters that must be submitted to the Board. For any matter that must be submitted to the Board, the CEO will be responsible for submitting the request to the President of the Board. All requests must comply with the Third Party Due Diligence and Oversight Policy, as well as the Purchasing Policy.

Administration and Certifications

The CFO is responsible for the day-to-day administration of this Policy, and the CEO is accountable for overall adherence to this Policy and must approve any exceptions. Strict adherence to this Policy is mandated for all Credit Union employees.

Within 90 days of the completion of each fiscal year of the Credit Union, the CEO and CFO of the Credit Union shall certify that the Credit Union and its employees have complied with this Policy during the fiscal year or since the date of enactment of this Policy and that any expenses requiring approval were properly approved.

Violations

Any employee, officer or director who becomes aware of, or has reasonable grounds to suspect, a violation of this Policy must promptly report such violation to the Chief Financial Officer (or, for violations involving such officer, to the CEO or COO). All appropriate steps will be taken to protect the anonymity of anyone reporting a violation, and retaliation against those reporting violations will not be tolerated.

Approved by the Board of Directors December 2010