

BANK OF DEERFIELD
LUXURY EXPENDITURE POLICY
APPROVED JULY 21, 2010

This policy fulfills 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.

The Bank of Deerfield (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 activities conducted in the normal course of business operations of the Bank of Deerfield.

The CEO is responsible for implementing adequate controls to assure that meetings and events organized by the company serve legitimate business purposes and are cost justified. The CEO of the Company shall certify to the board on an annual basis that the Company's expenditures comply with this policy and are not excessive, and that the approval of any expenditure requiring prior approval was properly obtained with respect to each such expenditure.

General Expenditure Guidelines:

All expenditures should be guided by the following principles:

- Entertainment or attendance at events must be for a business purpose and must be approved by the appropriate level of management.
- Expenditures including goods, services or facility renovations must not be for luxury items.

Responsibility for Avoiding Excess Expenditures

Expenditures including goods, services or facility renovations must support the Company's goals and strategies and must not be deemed luxury or excessive expenditures. All purchases or expenditures must follow the appropriate process and obtain the required management approvals.

Employees are responsible for using discretion when acquiring goods and services, spending funds, traveling and/or entertaining on behalf of the Company. Management is responsible for ensuring that all expenses are reasonable, support the business strategy or requirements and fall under corporate guidelines.

Renovations:

Renovations of facilities and office spaces should be relative to the approved current budget. 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.

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

Meetings and Events

Any exceptions to the business reasons for meetings, events or travel outside those included in this policy require supporting documentation (a written business case identifying a specific business purpose) and approval by the CEO.

- All meetings and events organized by the Company must serve one or more specified legitimate business purposes.
- All internal meetings or events attended only by senior management and/or board members shall be devoted to specific business purposes, and participating senior management shall be responsible for any expenses incurred for non-business related activities.

Legitimate Business Purposes for Meetings and Events

All expenditures should be made to strengthen the competitive position of the company in the marketplace and position the company for the creation of long-term value and growth.

Examples of legitimate business purposes are:

- Product launches to educate sales force, business partners and customers.
- Sales and employee meetings to align vision, strategy and tactics.
- Training and staff development meetings including professional development, improving skills or familiarity with the company's products or services.
- Employee recognition programs to motivate and reward employees for achievement and productivity.
- Professional conferences that provide networking, education and best practice sharing across companies and industries.
- Performance incentives with clear rules that are designed to motivate and reward high performers for achieving or exceeding established goals.
- Corporate-sponsored events that further charitable purposes and support local communities within the company.
- Trade shows and similar events that bring prospective buyers and sellers together.
- Strategic, business and financial planning and review meetings.

Entertainment:

Entertainment is defined as an activity on which 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 Bank's marketing efforts.

Our expectation is that all expenses incurred by the Bank would be for company purposes, and used to develop business for the Bank. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, taking them to other events the customer / prospect would find pleasurable is an expected part of the Bank's marketing efforts and is not deemed as "entertainment" or a violation of the Luxury Policy. The business purpose of these expenses should be documented.

Employee and Board Special Events:

We feel that holiday parties and events such as summer picnics are part of an employee appreciation process. These events should be local in geographic nature, and should be in accordance with the Bank's annual budget.

Board Retreats should only be used for educational purposes, and should be viewed with the same 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.

Transportation:

Transportation for Employees or Board Members to outlying locations, including Bank locations, conferences, business development purposes and other Bank related matters should be conducted in the most efficient manner. Modes of transportation to be used, for example, may consist of vehicle, commercial air service and private air service. Expenses for private air service will be reviewed annually by the Board of Directors.

Pre-Approval of an Expenditure:

Any employee, with purchasing authority, may verbally or in writing, request pre-approval from the CEO, Senior Vice President, or Board Chairman of an expenditure, which the employee may question as to the applicability of the Luxury Expenditure Policy. The CEO, Senior Vice President or Board Chairman may respond to the employee in the same medium as the request was made or in writing.

Violation of Policy

Any violations of this policy will be reported promptly to the CEO or Senior Vice President of the Bank who will report the violation to the Board of Directors.

Consequences for violations of the policy will be administered in accordance with the Bank's general disciplinary guidelines. The first violation will result in a verbal warning, the second violation will result in a written warning, the third violation will result in a probationary period or may result in termination. The Board of Directors may make exceptions to the disciplinary process based on the severity of the violation.

The Board of Directors is responsible for the compliance with this policy.