



## **DNB FINANCIAL CORPORATION Excessive & Luxury Expenditure Policy**

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.

DNB Financial Corporation 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 incentives or other similar items conducted in the normal course of business operations. All employees of DNB Financial Corporation and its subsidiaries are subject to this Policy and will be held accountable for compliance with the Policy.

### **Renovations:**

Renovations of facilities and office spaces should be relative to the approved project and current profit plan, and tracked within the capital expenditure policy of the Company. 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.

### **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 or prospective customer, or to further enhance the Company's marketing efforts. Our expectation is that all expenses incurred on behalf of the Bank would be for Company purposes, and used to drive business to the Bank. Occasional events such as taking customers or prospects on trips, playing golf, eating 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 "luxury" or a violation of this Policy. These expenses should be documented and detailed as to the benefit derived by the Bank through the normal accounts payable process. Events and parties focused on customers for the purpose of attracting their business would not fall under this policy.

**Conferences:**

From time to time, the Company will require or permit its employees, officers and directors to attend events that are appropriate educational, marketing, strategic planning, business development or other business purposes opportunities. These conferences should be related to the financial services industry and have a direct correlation to an individual director, officer or employee's responsibilities and must be approved in accordance with existing departmental procedures. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities. At times it may be appropriate or required that a spouse travel to conferences with Company attendees. In situations where a spouse is not required to attend, all expenses incurred by the spouse shall be paid by the Company attendee and not the Company. Company attendees must separate guest expenses from Company personnel expenses. This should include any incremental cost associated with travel, lodging, meals, entertainment, etc. Costs allocated to guest travel should be paid out of pocket or reimbursed to the Company within 30 days of the event.

**Employee Recognition/Holiday Parties:**

We feel that employee recognition/holiday parties are part of an employee appreciation process. These events should be local in geographic nature, and would include costs for such things as service awards and nominal door prizes. An event should not cost the sponsoring business unit more than an average day's payroll per employee.

**Board/Management Retreats**

Retreats should only be used for educational or business planning 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 Company staff to outlying locations, including bank 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 vehicle, commercial air or rail service. The selection of transportation services will factor in cost, efficiency and timeliness of travel. Private air services are not allowed without the approval of the Chairman of the DNB Financial Corporation Board of Directors.

**Compliance and Certification:**

Compliance with this Policy shall be monitored by the Chief Financial Officer. The Chief Executive Officer and the Chief Financial Officer shall certify to the Board at least annually that the provisions of this Policy are being enforced and are sufficient to provide reasonable assurance that expenditures for such purposes are not excessive. All Company employees are required to comply with this Policy. The Chief Executive Officer and Chief Financial Officer are primarily accountable for adherence to this Policy and for certifying

that prior approval for any expenditure requiring such prior approval was properly obtained. Any employee who becomes aware of any violation of this Policy must, within a reasonable amount of time, report such violation to the Chief Executive Officer, President or Chief Financial Officer. The Chief Executive Officer, President or Chief Financial Officer shall be responsible for reviewing any purported violations and making a final determination as to whether the Policy was violated. Alleged violations or departures from this policy by any Executive Officer should be promptly reported to the Audit Committee. Any violations, in conjunction with the expenditures outlined in this Policy, will be reported to the Audit Committee. Employees violating the provisions in this Policy may be subject to discipline, up to and including termination.

Adopted - September 9, 2009

Modified – May 26, 2010