

**BNC FINANCIAL GROUP, INC.**  
**Excessive or Luxury Expenditures Policy**  
**As of September 14, 2009**

The purpose of this Policy is to satisfy 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.

Overall, BNC Financial Group, Inc. and its subsidiaries, The Bank of New Canaan and The Bank of Fairfield, (collectively the "Company") prohibit excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation and other transportation services, or other activities or events. We expect reasonable expenditures for the foregoing as well as for conferences, staff development, business development or other similar measures conducted in the normal course of business operations of the Company. All such expenditures will follow the authorization and dual sign off limits in the Company's "Purchasing Policy" and be approved expenditures that are part of the Company's annual budget. We note also that some if not all of these matters are also limited by various banking laws and regulations, including the Bank Bribery Act.

**A. 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) (the "Standards") to adopt a Policy regarding excessive and luxury expenditures. The Board has oversight responsibility for the Company's compliance with the Standards. In support of its oversight responsibilities, the Board shall have the following roles:

1. The Board must review and approve this Policy on an annual basis, or, in the event of subsequent amendments to the Standards, in such time frame required by the amendment.
2. The Corporate Governance Committee shall review any exceptions to this Policy at the next regularly scheduled meeting subsequent to the granting of the exception.

**B. Role of Executive Management**

Executive Management is responsible for the effective implementation of this Policy at their institution. 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 Corporate Governance Committee of the Board.
3. Promptly recommend modifications of this Policy to the Corporate Governance Committee to ensure it remains compliant with the Standards as it may be amended.
4. Ensure that this Policy is posted on the Company's website(s).
5. At the end of each year, the Corporation's Chief Executive Officer and Chief Financial Officer shall certify in writing that, during the preceding year, the approval of each expenditure required by this Policy to have been approved in advance by any

executive officer, the Board of Directors or a committee of the Board, was properly obtained.

## **C. Expenditures**

### **I. 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 as well as employee training related to enhancing the Company's productivity. Legitimate expenditures for entertainment and events may include, but are not limited to, the following:

- Investor relations trips, conferences and meetings.
- Annual shareholders meetings.
- Board of Directors meetings, both on and offsite.
- Management or employee meetings called by appropriate Company personnel for legitimate business purposes.
- Conferences, schools, or other professional development activities.
- Training and staff development meetings to improve participants' skills and/or their familiarity with the Company's products or services, procedures and policies, and corporate values.
- Employee recognition programs to motivate and reward employees for achievement and/or productivity.
- Customer meetings or Company sponsored events to offer the Company's products or services, obtain feedback, show appreciation to customers or for other legitimate business purposes.
- Company sponsored events that advance charitable or civic purposes where the Company can enhance its public image while supporting the local community and fulfilling its obligation for good corporate citizenship.
- Employee meetings as a result of Company mergers and/or acquisitions.

All meetings or events attended by Company employees or Board members shall be devoted to specific business purposes and well-documented. Company employees and Board members shall be responsible for any expenses incurred for non-business related activities, and shall promptly reimburse Company for any such expenses if paid by Company.

The Company's expectation is that all expenses incurred by its employees or directors will be a frugal and prudent use of the Company's resources.

### **II. Office and Facility Renovation**

With the exception of emergency repairs, all renovations should be part of the Company's annual budget. Any office and facility renovation must be supported by a written business proposal identifying the specific purpose for such renovation and adhere to our Purchasing Policy regarding bids and approval limits. Such purposes might include: improved customer service, enhanced operating or financial performance, remediation of unsafe or unsightly premises, updating worn or dated materials, replacing obsolete items and Company expansion.

### **III. Aviation or Other Transportation Services**

Aviation and other transportation services for Company staff to outlying locations, including for conferences, business development purposes and other purposes should be conducted in the most appropriate manner. Permitted modes of transportation include automobiles and commercial air, bus or rail service. The selection of transportation services should include assessment of cost, efficiency and timeliness of travel.

- All air travel must be coach class.
- When needed for Company business, Company personnel may, but are not required to, rent a vehicle if it is less expensive than other available modes of transportation such as taxis, limousines and airport/hotel shuttles or when travel requirements necessitate having the flexibility of a rental car.
- Whenever multiple employees are traveling together, every effort to ride share or carpool should be made.

Additionally, if deemed appropriate by the Board of Directors and supported by documentation of the Board's rationale, the Company may provide an Executive with the use of a Company automobile

### **IV. Other Activities or Events**

Other similar items, activities or events for which the Company may incur expenses, or reimburse an employee for incurring expenses, which are not specifically addressed elsewhere in this Policy (e.g. performance incentives) shall be for legitimate business purposes and reasonable in nature and amount.

#### **D. Internal Reporting; Prohibition on Retaliation**

If an officer, employee or director observes or becomes aware of any action, activity or expenditure, whether completed or proposed, that he or she believes in good faith was contrary to or violated or, if completed, would be contrary to or violate, this Policy, or otherwise has concerns regarding the amount or purpose of any expenditure by the Company, he or she should promptly report the fact of and circumstances relating to that action, activity, expenditure or concern to the Chairman of the Audit Committee of the Board of Directors under the Company's "Whistle Blower Policy". Any such report may be made anonymously and if requested by the reporting officer, employee or director, the Chairman of the Audit Committee will not disclose the source of the report to the Board of Directors or management. In order to encourage reports by officers, employees and directors as described above, the Board of Directors prohibits any retaliatory or adverse action against any officer, employee or director for making any such report in good faith.

### **E. Discipline and Sanctions**

To the extent that any person shall have been determined by the Corporate Governance Committee to have caused a breach of this Policy, the Corporate Governance Committee will also determine the appropriate discipline for such violation considering the relevant facts and circumstances, and relevant practices and policies at the Company, if any.

### **F. Amendments**

Any amendments to this Policy must be adopted by the Corporate Governance Committee and the full Board.