

## Excessive or Luxury Expenditures Policy

Section 111 of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5221) requires that recipients of CPP investments develop a written policy placing certain limitations on what certain individuals or government agencies may deem to be luxury expenditures. As a CPP participant, all employees of United Bancorporation of Alabama, Inc. and its subsidiary, United Bank, are subject to the following policy pertaining to entertainment and other excessive or luxury expenditures. This policy is not intended in any way to limit or restrict the normal and customary expenditures for business development, employee moral or training or the ongoing operation of the Bank or the Company.

While it is the Bank's intention to reimburse all legitimate expenses incurred while on banking business, United Bancorporation of Alabama, Inc. and its subsidiary, United Bank prohibit 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 measure conducted in the normal course of business operations.

The Bank expects all expenses over ten dollars to be accompanied by a receipt and placed on an expense form and approved by each employee's supervisor.

Expenses should be within reasonable limits and commensurate with the nature of the business assignment and the capacity in which the individual represents the bank. Staff members should exercise good judgment. Any expenses that are not deemed to be within reason will not be fully reimbursed. If in doubt as to validity of allowed expense, call the Accounting Department.

Cash advances through petty cash will be allowed for \$50.00 or more and must be cleared up within 10 days after returning from the business trip. All items should have receipts and they should be reported on an expense report. After reimbursement, the employee will clear up the outstanding petty cash item. All cash advances must be approved by a supervisor and requests made in writing. The President must approve any request over \$500.00.

Entertainment is defined as an activity that an Employee or Executive would use corporate funds for business development purposes relating to current customer(s) or prospective customer(s) or to further enhance the company's marketing efforts.

Our expectation is that all expenses incurred to the Bank would be for company purposes, and used to drive business to the bank. Occasional events such as entertaining customers or prospects on outings at golf, at dinner, or other events the customer/prospect would find pleasurable is a necessary part of the Company's marketing efforts. Any such entertainment will have a defined business/marketing purpose and should be in a manner that is not excessive or extravagant. Tips related to these activities should be limited to 15%. These expenses should be documented, approved, detailed as to the benefit derived by the Bank and submitted in the normal approval process. The accounting department and CFO will have oversight as to the monitoring of all expenses.

All expenses to be incurred in connection with a spouse must be approved in advance by the President.

Mileage will be reimbursed at the standard rate published by the Internal Revenue Service, when it is necessary to use a personal vehicle for bank business. Personnel are expected to use bank vehicles or rental vehicles. The use of personal vehicles should be approved in advance and must be unusual circumstances. The CFO must approve rental vehicles before the expense is incurred. Arrangements for rental vehicles are made through the Accounting Department.

The CFO must approve all of the bank credit card expenses, other than purchases made for gasoline. These expenses should be listed in detail on an expense report. The authorized user of the card should retain credit card receipts. At month-end, an expense report is to be completed and receipts attached. For any items purchased over the Internet, an acknowledgement of the order should be printed as additional proof of purchase in case an invoice is not received.

Requests or reimbursements for business related expenses less than \$400 may be approved by an employee's manager, market president, or department head. Any request or reimbursement of \$400 or more must be approved by the CFO. Any request or reimbursement of \$1,000 or more must be approved by the CEO.

If an employee is suspicious of potential violations of the entertainment policy, they may submit their concern in accordance with the *Whistleblower Policy* in *United Bank's Personnel Handbook*. The *Whistleblower Policy* states "All such concerns shall be set forth in writing and forwarded through inter-office mail in a sealed envelope to the Chairman of the Audit Committee, labeled with a legend such as "To be opened by the Audit Committee only. Being submitted pursuant to the "Whistleblower Policy" adopted by the Audit Committee". If an employee would like to discuss any matter with the Audit Committee, the employee should indicate this in the submission and include a telephone number at which he or she may be contacted if the Audit Committee deems it appropriate."

We encourage our staff to attend conferences that are appropriate 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 Company attendees. Typically these conferences are sponsored by vendors, banking associations, or other industry related entities.

From time to time an employee may receive a gift from an outside source. Normally these gifts will be of nominal value. If a gift's value exceeds \$25.00 it should be reported to the Accounting Department. All employees should be aware that any gift offered or promised with the intent to influence the employee cannot be accepted and should be reported to their supervisor immediately.

All employees who receive an auto allowance will receive \$.20 per mile less than the current rate paid to all other employees as defined above. All expense reports should be turned in on a monthly basis for reimbursement. All trips to branches should be car-pooled when possible to avoid excessive charges to the bank. When bank wide functions are involved car-pooling expenses will be the only ones paid.

We feel that holiday parties are part of an employee appreciation process. Holiday parties should be local in geographic nature, should not be of excessive cost to the company and must be approved by the CEO (or CFO in the absence of the CEO) prior to commitment to the event.

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 preclude a retreat that is focused on strategic planning or education.

Transportation for Company staff to outlying locations, including bank locations, conferences, customer offices and any other destination for a business purpose should be conducted in the most cost appropriate way for the Company. All air travel will be approved in advance by the CEO (or in his absence the CFO) and arrangements made by the executive office.

Renovations of facilities and office space should be relative to approved plans, and tracked within the capital expenditure policy. An exception to this is 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.