

**Overview**

This Luxury Expenditures Policy (“Policy”) fulfills the requirements under the United States Treasury Regulations (“Regulations”) for the Capital Purchase Program participants under Section 111(e) of the Emergency Economic Stability Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009 (“ARRA”). The Regulations require recipients to develop and maintain a policy on excessive and luxury expenditures and written standards that are reasonably designed to eliminate excessive and luxury expenditures.

**Policy**

It is the policy of Pacific International Bancorp, Inc. and its subsidiary Pacific International Bank (together “Pacific International”) to comply with all ARRA provisions and related Regulations through this Policy to eliminate excessive and luxury expenditures.

**Guidelines**

The guidelines set forth below shall be followed by all Pacific International personnel including Senior Executive Officers (“SEOs”) and the Board of Directors.

**1. Prohibit Expenditures and Expenditures Requiring Prior Approval****Entertainment**

Pacific International recognizes that entertaining potential and current customers is a vital part of business development. Any expenses incurred shall be primarily for the benefit of Pacific International to attract new customers or to maintain current client relationships. Reasonable dinners, sporting event attendance, trips or other events are not luxury expenditures and do not violate this policy. Expenditures over \$300 dollars per attendee shall require prior approval as set forth in paragraph 2 below.

**Renovations**

Pacific International recognizes that any office or facility renovations should be reasonably proportionate to the approved project, current profit plan and capital expenditures for Pacific International. This Policy will not apply to an emergency situation, such as destruction from a fire or earthquake, requiring immediate attention to allow Pacific International to continue to operate. Expenditures for renovations over \$30,000 dollars shall require prior approval as set forth in paragraph 2 below.

**Aviation and Transportation**

Transportation is necessary for business purposes and conference attendance, among other reasons. The standard rate for mileage reimbursement for directors and employees using their personal vehicles for business purposes is \$0.51 per mile. Mileage should be tracked from the beginning point of the travel (home or office) to the point of destination for business. Directors and employees will be reimbursed for parking and tolls when these expenses are required in the course of business related travel.

**Events**

Pacific International recognizes that employee recognition and parties play an important role in the morale and loyalty of Pacific International employees. Such events should be kept in the state of Washington and may include reasonable service awards and other prizes. Expenditures over \$300 dollars per attendee shall require prior approval as set forth in paragraph 2 below.

Board Member planning and education and staff education is important to the success of Pacific International. Board Retreats may only be held for educational or business planning purposes. Expenditures for Board retreats over \$500 dollars per attendee and expenditures for staff education over \$500 dollars per attendee shall require prior approval as set forth in paragraph 2 below.

## **2. Approval Procedure for Expenditures Requiring Prior Approval**

Pacific International's Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO") shall be responsible for approving all expenditures requiring prior approval. The person seeking approval shall submit a written request/justification for the expenditure to the PEO and PFO. The PEO and PFO shall then provide written certification of approval or disapproval of the request. Pacific International shall keep this certification on file at Pacific International for at least six years. The Board of Directors, or a designated committee thereof, shall approve any PEO and PFO expenditures requiring prior approval under the Policy.

## **3. Mandatory Adherence and Accountability & Reporting of Violations**

Adherence to this Policy is mandatory for all Board of Directors and employees including, but not limited to, the PEO, PFO, and Senior Executive Officers. Pacific International shall keep all persons under this Policy accountable by publishing an internal report.

Any violations of the Policy shall immediately be internally reported to the PEO and PFO. If a violation is reported, then the PEO and PFO shall document this reported violation. Any employee found violating this policy shall be subject to discipline up to and including termination.