LATINO COMMUNITY CREDIT UNION

EXCESSIVE OR LUXURY EXPENDITURES POLICY

Version 1.0

Approved by BOD as of 09-26-2022

As a participant in the Emergency Capital Investment Program (ECIP recipient, as defined at 31 CFR 35.21), LCCU is required to establish and maintain policies designed to eliminate excessive or luxury expenditures. The term "excessive or luxury expenditures" means excessive expenditures on any of the following to the extent such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the ECIP recipient's business operations: (1) entertainment or events; (2) office and facility renovations; (3) aviation or other transportation services; (4) tax gross-ups; and (5) other similar items, activities, or events for which the ECIP recipient may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

To comply with this requirement, LCCU is using the Department of the Treasury's model excessive or luxury expenditures policy to satisfy the requirement at 31 CFR 35.22(c) to adopt and maintain an excessive or luxury expenditures policy.

ECIP also requires the luxury or excessive expenditure policy to be posted on the recipient's website. Any material amendments to an ECIP recipient's excessive or luxury expenditures policy must made in accordance with the provisions set forth in 31 CFR 35.22(d). If any material amendments to this policy are made, a copy of the amended policy must be submitted to the Department of the Treasury and be posted on the ECIP recipient's website.

Purpose

The purpose of this policy is to establish parameters and internal controls governing the expenditures of Latino Community Credit Union (LCCU) (together with its subsidiaries and controlled affiliates, referred to hereafter as the Organization). Expenditures of LCCU should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to the Organization's business objectives and needs. This policy identifies expenditures that are excessive or luxury expenditures, creates processes that are reasonably designed to eliminate such expenditures, and establishes accountability for compliance. Routine operating expenses, capital expenditures, and other reasonable expenses are not prohibited by this policy.

Authority

LCCU has authority to provide compensation and benefits that are reasonable. This policy establishes a prohibition on expenditures that are excessive, or luxury expenditures as required by the Department of the Treasury's Emergency Capital Investment Program regulations (31 CFR Part 35), and as may be required by other statutes and regulations.

Responsibility

Board

The Board of Directors is required by 31CFR 35.21 to adopt and approve a policy regarding excessive or luxury expenditures. The Board has oversight responsibility for LCCU compliance with the requirements as defined in 31CFR. The Board will review compliance with this policy annually, review summary data on excessive or luxury expenditures reported to the Board as part of the compliance review, and re-approve this policy with any recommended changes.

Executive Management

Executive Management is responsible for the effective implementation of this policy and provides the following roles:

1) Monitor expenditures addressed by this policy and ensure compliance.
2) Document and justify any exceptions to this policy and report exceptions to the Board of Directors at least annually.
3) Promptly recommend modifications of this policy to the Board of Directors to ensure it remains compliant with the requirements.
4) Ensure the policy is posted to the LCCU website.
5) Ensure the annual certification is provided to the Department of Treasury.
6) Ensure that if modified, the modified policy is posted to the website, and submitted to the Department of Treasury and LCCU's regulatory body.

Scope

This policy applies to all employees, officers, and directors of the Organization regarding any expenditure of LCCU for business purposes. Reimbursement must be justified and documented consistent with the applicable LCCU policies and procedures. In making any expenditure on behalf of the Organization, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy.

Excessive or Luxury Expenditures

"Excessive or luxury expenditures" means excessive expenditures on any of the following to the extent not reasonable or appropriate expenditures for business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of LCCU's business operations. Furthermore, this policy does not apply to any expenses that are approved by LCCU's board in the annual budget.

(1) Entertainment or events. This category includes fees, dues, tickets costs related to social, athletic, artistic and dining clubs, activities, celebrations or other events, and similar

expenditures. Expenditures for charitable contributions and charitable events are not prohibited under this policy. Entertainment or events expenditures in an amount less than $10,000 per item, activity, or event, and $50,000 on an annual aggregate basis per type of item, activity, or event, are exempt from this policy.

(2) Office and facility renovations. This category includes costs and allowances for office renovation, including expenditures related to furniture, art, office personalization, interior finishing, design and decoration, and similar expenditures. Office and facility renovations expenditures in an amount less than $100,000 per instance, and $250,000 on an annual aggregate basis per individual facility, are exempt from this policy.

(3) Aviation or other transportation services. This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservation and travel agent expenses, and similar expenditures associated with transportation services (e.g., airline, train, rental cars, or vans). Mileage reimbursable according to current Internal Revenue Service mileage rates is exempt from this policy. Transportation services in an amount less than $10,000 per trip, and $50,000 on an annual aggregate basis per employee, are exempt from this policy.

The principal executive officer may establish or delegate to an appropriate executive officer the authority to establish processes for reimbursement of reasonable travel expenditures, which processes must be reviewed by executive management no less frequently than annually.

(4) Tax gross-ups. This category includes any reimbursement of taxes owed with respect to any compensation. This category does not apply to tax equalization agreements for employees subject to tax from a non-U.S. jurisdiction.

(5) Other similar items, activities, or events for which the Organization may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses. Expenditures related to other items not listed in the preceding categories are exempt from this policy in an amount less than $10,000 per item, activity, or event, and together with all expenditures permitted under this policy, may not exceed $100,000 on an annual aggregate basis per item, activity, or event.

For the avoidance of doubt, reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of an ECIP recipient to provide products and services to its customers and community are not excessive or luxury expenditures.

The principal executive officer may establish or delegate to an appropriate executive officer the authority to establish processes for the evaluation and approval of expenditures in the preceding categories that are not luxury or excessive expenditures and that are not otherwise exempt from this policy. These processes must be reviewed by executive management no less frequently than annually, as well as any additional threshold expenditure amounts per item, activity, or event, or a threshold expenditure amount per employee receiving the item or participating in the activity or event under this policy. Such approvals must be reported to the board of directors (which may be in an appropriate summary form) no less frequently than annually.

Exceptions or Violations

Any exception or violation of this policy must be promptly reported to the Organization's (i) principal executive officer, (ii) officer with primary responsibility for the Organization's compliance function, or (iii) officer designated with primary responsibility for overseeing the administration, monitoring, and compliance with this policy. Exceptions and violations must be reported to the board of directors no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of the Organization must adhere to this policy and will be held accountable for compliance. Any employee or officer who violates this policy may be subject to disciplinary action up to and including termination of employment.

Any employee or officer that is aware of any circumstance that may indicate a violation of this policy is required to report such circumstance to their supervisor or the Organization's principal compliance officer or compliance group. The Organization prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of the Organization's code of conduct, laws, regulations, or other Organization policies, including this policy. A finding of retaliation against any such employee or officer may result in disciplinary action up to and including termination. Failure to promptly report known violations by others may also be deemed a violation of the Organization's code of conduct.

Employees and officers may ask questions, raise concerns, or report instances of non-compliance with this policy and/or any of the existing underlying relevant policies by contacting the following: compliance@latinoccu.org.

Certification

On an annual basis, the ECIP recipient will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either the ECIP recipient's principal executive officer or principal financial officer) certifying that (i) the Organization is in compliance with this policy and (ii) the approval of any expenditure requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the board of directors (or a committee of such board), was properly obtained with respect to each such expenditure.