



## Luxury Expenditure Policy

### Purpose

GTE Financial will accept Secondary Capital Accounts from non-natural person members and non-natural person nonmembers under Section 107(6) of the Federal Credit Union Act (Low Income Designated Credit Union, LICU) and NCUA rules and regulations 701.34 and 741.204.

The main use and purpose for the secondary capital will be to expand our capacity for deposit growth and borrowings which in turn will be used for lending purposes. The net effect will increase net income, build capital and improve the overall safety and soundness of GTE.

### Luxury Expenditures (as required by the US Department of Treasury for institutions participating in the Emergency Capital Investment Program section 31 CFR 35.21)

The purpose of this policy is to establish parameters and internal controls governing the expenditures. Expenditures should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to 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.

- a The term “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 Emergency Capital Investment Program (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.
- b On an annual basis GTE Financial must deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either the principal executive officer or principal financial officer) certifying that (i) GTE Financial 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.
- c Any exception or violation of this policy must be promptly reported to the (i) principal executive officer, (ii) compliance officer, 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 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.