

Prairie Star Bancshares, Inc.

LUXURY EXPENDITURE POLICY

Approved by the Board of Directors: January 22, 2016

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Luxury Expenditure Policy

STATEMENT OF NEED AND DEFINITION

The Board of Directors of Prairie Star Bancshares, Inc. (the “Company”) has adopted this Excessive or Luxury Expenditure Policy (“Policy”) in compliance with the requirements under the American Recovery and Reinvestment Act of 2009 (“ARRA”) enacted February 17, 2009. The ARRA, which amends certain sections of the Emergency Economic Stabilization Act of 2008, requires each recipient of funds under the Capital Purchase Program of the Troubled Assets Relief Program (“TARP”) to have in place a company-wide policy regarding excessive or luxury expenditures during the period that the Company participates in TARP, as identified by the Secretary of the Department of the U.S. Treasury (“Treasury”).

It is the Company’s Policy and that of its banking subsidiary, Bank of the Prairie, (“Bank”), to prohibit excessive or luxury expenditures with respect to the following:

- entertainment and events;
- office and facility renovations;
- aviation or other transportation services; and
- other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives, or other similar measures conducted in the normal course of Company or Bank business operations.

Authority

Executive management of the Company is responsible for the effective implementation of this Policy. To that end, executive management shall have the following roles:

1. Monitor expenditures addressed by this Policy to ensure compliance.
2. Document and justify any exceptions to this Policy and report exceptions to the Board.
3. Promptly recommend modifications of this Policy to the Compensation Committee to ensure that it remains compliant with the TARP Standards for Compensation and Corporate Governance as defined by the Treasury (31 CFR Part 30) as it may be amended.
4. Ensure that the Policy is posted on the Company and Bank websites.

This policy applies to all employees of the Company and the Bank. Additionally, this Policy specifies prohibited expenditures, approval procedures for expenditures which may require prior approval, certification requirements of the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), the reporting of actual or suspected violations, and compliance monitoring.

POLICY ELEMENTS

Entertainment: Entertainment is defined as an activity that an employee or executive officer would use corporate funds for business-development purposes relating to a current customer or prospective customer or to further enhance the Company or a Bank’s marketing efforts. The Company’s Policy is that all expenses incurred by the Company or Bank should be for corporate purposes and used to develop business of the Company or Bank. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, or taking them to other events the customer/prospect would find pleasurable is a necessary part of Company or Bank marketing efforts and not deemed as “luxury” or a violation of this Policy. These expenses should be documented and detailed as to the benefit derived by the Company or Bank through the normal accounts payable process.

Conferences/Events: The Company encourages its employees and officers to attend conferences that are appropriate educational opportunities. These conferences must be related to the financial services industry and have a direct correlation to their job. At times, it may be appropriate for Company or Bank to fund travel or conference expenditures of an employee’s spouse. Typically these conferences are sponsored by vendors, banking associations, or other industry-related entities. Meetings and conferences may include both those that are internally organized as well as those organized by other banks, trade associations, vendors and similar organizations. The cost of such meetings and conferences must be approved in advance by a supervisor or member of executive management of the Company or Bank.

Employee Recognition/Holiday Parties: Employee recognition/holiday parties are part of the Company's employee appreciation process. These events should be local in geographic nature and should not cost the Company more than an average day's payroll per employee, on average. (For example, based on payroll of \$2 million annually and divided by 260 business days, this would equal \$7,692 in expense available for an appropriate holiday party). Events and Parties focused on Customers for the purpose of attracting their business would not fall under this policy.

Board/Management Retreats: Retreats shall only be used for educational or business-planning purposes. Board education is a vital part of maintaining and keeping a dynamic director base, and this Policy should not reasonably limit a retreat that is focused on strategic planning and/or education.

Office and Facility Renovations: Renovations of facilities and office spaces should be relative to the approved project and current business plan of the Company or a Bank. An exception will be permitted to address an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use. This prohibition does not extend to a corporate relocation or remodeling impacting a majority of the corporate offices or a newly-constructed branch, branch renovation, or branch relocation. All expenditures for constructing, renovating or furnishing offices must comply with applicable Company policies and procedures, which may require Chief Executive Officer and/or Board of Directors approval, depending on type and amount of expenditure.

Aviation or Other Transportation Services: Transportation for Company or Bank staff to outlying locations, including bank locations, conferences, business development purposes, and merger and acquisition research, should be conducted in the most cost-appropriate way for the Company and the Bank. Modes of transportation to be used may consist of vehicle, commercial air, or rail service. The selection of transportation services will factor in cost, efficiency, and timeliness of travel. Expenditures for the use of an automobile by Company or Bank officers must be reasonable. Private air services are not allowed without the approval of the Company Chief Executive Officer ("CEO").

Reporting Violations

Anyone who becomes aware of a suspected or actual violation of this Policy, whether intentional or inadvertent, shall report such violation in writing to their direct supervisor who shall report directly to the Chairperson of the Company's Audit Committee. Employees are expected to self-report any violations concerning the employee. The Chairperson will discuss the suspected or actual violation at the next regularly-scheduled meeting of the Audit Committee, who will investigate the suspected or actual violation of this Policy and report to the Board at its next regularly scheduled meeting with respect to any reported violations and any recommended corrective actions.

Administration and Certifications

The Company's Chief Financial Officer ("CFO") and accounting staff are responsible for the day-to-day administration of this Policy, and the CEO is accountable for overall adherence to this Policy and must approve any exceptions. Strict adherence to this Policy is mandated for all Company and Bank employees.

The CEO and CFO of the Company shall certify at least annually that this Policy is being followed and that the approval of any expenditure requiring prior approval of an executive officer or the Company's Board of Directors was properly obtained with respect to each such expenditure.