

**BCSB BANCORP, INC.**

**EXPENDITURE POLICY**

Adopted by the Board on September 11, 2009.

## **BCSB BANCORP, INC.**

### **EXPENDITURE POLICY**

This policy fulfills the requirements outlined in Section 111 of the Emergency Economic Stabilization Act of 2008 (“EESA”), as amended by the American Recovery and Reinvestment Act of 2009 (“ARRA”). Under the interim final rule (31 CFR Part 30), ARRA requires each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (“TARP”) to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the U.S. Department of the Treasury.

BCSB Bancorp, Inc., Baltimore County Savings Bank (the “Bank”) and their subsidiaries (collectively, the “Company”) prohibit 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 measures conducted in the normal course of business operations of the Company.

#### **Role of the Board of Directors**

The Board of Directors is required by the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) to adopt a policy regarding excessive and luxury expenditures. The Board has oversight responsibility for the Company’s compliance with the requirements of TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30). In support of its oversight responsibilities, the Board shall have the following roles:

1. The Compensation Committee of the Board must review and recommend to the full Board of Directors approval of this policy on an annual basis, or, in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30), in such time frame required by the amendment.
2. The Board of Directors must review and approve this policy on an annual basis, or, in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30), in such time frame required by the amendment.
3. The Compensation Committee shall review any exceptions to this policy at the next regularly scheduled meeting subsequent to the granting of the exception.

#### **Role of Executive Management**

Executive management 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 with this policy.
2. Document and justify any exceptions to this policy and report exceptions to the Compensation Committee of the Board.
3. Promptly recommend modifications of this policy to the Compensation Committee to ensure it remains compliant with the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) as it may be amended.
4. Ensure that this policy is posted on the Company's website.

### **Renovations**

Renovations of facilities and office spaces should be relative to the current strategic business plan, and tracked by the Company. An exception regarding renovations expenditures may be allowed to permit the Company's management to deal with an emergency situation, such as an act of nature or other unforeseen event, and the expenditure is necessary to ensure the Company or Bank facility is structurally sound and otherwise safe and operational for employee and customer use.

At no time should renovations be done that would have the appearance of being extraordinary or excessive from a shareholder perspective.

### **Entertainment**

Entertainment is defined as any activity in which an employee or executive would use corporate funds for business development purposes relating to a current or prospective customer(s) or to further enhance the Company's marketing efforts.

The Company expects that all expenses incurred on behalf of the Company would be for Company purposes, and used to further the business of the Company. Occasional events such as customer or prospective customer trips, golf, dinner, and other events a customer or prospective customer would find pleasurable is a necessary part of the Company's marketing efforts and is not deemed a to be a violation of this Luxury Expenditure Policy; provided the costs of such events are not excessive in relation to the purpose for which they are held or attended. These expenses should be documented and sufficiently detailed to describe the benefit derived by the Company. Requests for reimbursement for such expenditures must be justified and supported by documentation in accordance with applicable Company policies and procedures.

Employee events are managed through the budgeting approval process. If they are not approved through the budgeting process, then they must be approved by Director of Human Resources. Any customer, prospect or employee event over \$5,000.00 must be approved by the Chief Executive officer or Chief Financial Officer.

## **Conferences**

The Company encourages their staff to attend conferences that are appropriate educational opportunities. These conferences must have a direct correlation to their job. At times it may be acceptable that a spouse travels to these conferences with a Company employee or director.

## **Events and Parties**

The Board of Directors believes that a Company-wide annual holiday party and a Company-wide annual picnic, if so desired, are important in terms of employee appreciation and employee morale. Accordingly, this policy does not prohibit reasonable expenditures in conjunction with such events. However, such employee events must be local and may not be overnight events. Travel expenses associated with such events will not be paid by the Company. Other events, such as an occasional department party, should be just a fraction of that cost and deemed reasonable by any appropriate standard.

## **Board Retreats:**

Board Retreats should only be used for educational purposes with the corresponding expenses deemed reasonable by any recognized standard. Board education is a vital part of attracting and maintaining a dynamic director base, and this policy does not limit a retreat that is focused on strategic planning or Board education.

## **Automobile Expenses**

The Company may, as a means of providing efficient and low cost transportation, make available a Company automobile for the non-exclusive use of employees who require transportation during regular business hours of the Company. Examples of such employment would be loan officers, courier services, attendance at local meetings and seminars, physical plant management employees and other Company related business. Expenses for employee or director use of personal vehicles for Company business will be reimbursed at a rate that does not exceed the published IRS mileage rate. Documentation in support of such use must be provided in accordance with applicable Company policies and procedures.

## **Aviation or Other Transportation Services**

All employees should use reasonable care when procuring transportation services for business-related travel. Lowest available options for airfare and ground transportation should be used whenever reasonably possible.

Transportation for Company staff to outlying locations, including Bank locations, conferences, strategic planning and business development purposes, and merger and acquisition research, should be conducted in the most cost appropriate way for the Company. Modes of transportation to be used, for example may consist of vehicle and commercial air service. The Company does not own or lease, and does not intend to purchase or lease, any private aircraft for

use by Company employees or directors. The selection of transportation services will factor in cost, efficiency and timeliness of travel.

### **Reporting Violations; Disciplinary Action**

An employee or director who learns of a violation of this policy shall promptly report the violation to either the Chief Financial Officer, or the Chairperson of the Audit or the Compensation Committee. Compliance with this policy is a condition of employment, and any violations hereof may result in disciplinary action up to and including discharge.

### **Certification of Compliance**

The Chief Executive Officer and the Chief Financial Officer 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.