

SOUTHCREST FINANCIAL GROUP, INC.
Excessive or Luxury Expenditures Policy
for TARP Compliance
effective October 15, 2009, as amended March 15, 2012

This policy fulfills the requirements under the American Recovery and Reinvestment Act of 2009 (“ARRA”) enacted on February 17, 2009. 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 Department of the U.S. Treasury.

It is the policy of SouthCrest Financial Group, Inc. (the “Parent”) and its subsidiaries, (collectively the “Company”) to adhere to the following principles and practices related to excessive or luxury expenditures.

Excessive or luxury expenditures, defined as expenditures that are not reasonable expenditures for staff development, performance incentives, or other activities conducted in the normal course of the Company’s business, are prohibited.

All expenditures by the Company must have a legitimate business purpose, follow a defined approval process, and be reasonable in nature and amount as determined by management or the Parent’s Board of Directors (the “Board”) as required herein.

In the normal course of business, the Company provides expense reimbursement to employees for business related expenses in reasonable amounts. To be reimbursed for such legitimate business expenses, the employee must comply with proper documentation requirements, approval processes, and timing of reimbursements.

I. Expenses Which Are Prohibited or Which Require Prior Approval

A. *Entertainment or Events*

Legitimate expenditures for entertainment and events may include, but are not limited to, the following:

- 1) Investor relations trips, conferences and meetings
- 2) Annual shareholders meetings
- 3) Board of directors meetings, both on and offsite
- 4) Management or employee meetings called by appropriate Company personnel for legitimate business purposes
- 5) Conferences, schools, or other professional development activities

- 6) Training and staff development meetings to improve participants' skills or their familiarity with the Company's products or services, procedures and policies, and corporate values
- 7) Employee recognition programs to motivate and reward employees for achievement or productivity
- 8) Customer meetings or Company sponsored events to offer the Company's products or services, obtain feedback, show appreciation to customers, or for other legitimate business purposes.
- 9) Company sponsored events, typically within local markets, that advance charitable or civic purposes where the Company can enhance its public image while supporting the local community and fulfilling its obligation for good corporate citizenship.

All such expenditures must be for legitimate business purposes and be reasonable in nature and amount. Any non-budgeted expenditure above \$10,000 must be approved in advance by the Chief Executive Officer ("CEO").

The CEO and Chief Financial Officer ("CFO") shall be responsible for implementing adequate controls to ensure that all entertainment and event expenses paid by the Company are for legitimate business purposes, are reasonable in nature and amount and are not excessive. All entertainment and event expenses shall be properly documented. The more substantial the expenditure, the more thorough the documentation required.

Officers of the Company shall only approve expense reports or requests that comply with the Company's Expense Policy. Any entertainment or event expense that does not serve a legitimate business purpose or is not reasonable in nature and amount shall not be approved under any circumstance.

B. *Office and Facility Renovations*

No expenses incurred for the renovation of any office or other facility of the Company shall be approved unless such renovation is:

- 1) part of a renovation of all or a part of a facility of the Company necessary to improve the appearance, functionality, or both of such facility in a manner designed to improve service of the Company or attract or retain the business or services of clients, prospective clients, or other business associates, as approved by the Board;
- 2) solely in the case of repairing damage to such office or facility, to restore such office or facility to a substantially similar working order as it was prior to such damage;

- 3) necessary to update the technology utilized by the facility; or
- 4) used to replace fully depreciated property.

In no event, however, will the office of any executive officer be constructed and furnished with materials that are substantially disproportionate in cost to the materials or furnishings provided or used generally as part of a facility renovation. The Board reserves the discretion to decline to reimburse or pay for all or part of a renovation that is inconsistent with the foregoing guidelines or if the Board determines that all or such part of such renovation is unduly extravagant or that the cost associated with renovating the office of an executive officer of the Company as part of such renovation is substantially disproportionate to the total cost of the renovation.

C. *Aviation and Other Transportation Services*

All expenses for aviation and other transportation services are not eligible for reimbursement absent a legitimate business purpose.

The Company shall not maintain, or have on retainer, a private aviation vehicle or service. Expenses for private chartered flights shall not be approved, unless no other means of transportation is reasonably available under the prevailing circumstances. Expenses for commercial aviation travel shall only be reimbursed for no more than the cost of a coach ticket. Any expenditure above the cost of a coach ticket must be preapproved by the CEO or CFO.

Employees and directors may be reimbursed for mileage costs of operating their personal vehicles for business-related travel. Executive officers or employees driving a Company-owned automobile or receiving a car allowance shall not be entitled to mileage reimbursement, unless a written agreement between such officer and the Company that was entered into before February 11, 2009 explicitly provides otherwise.

D. *Other Activities or Events*

Expenses for other activities and events will be reimbursed in the Board's discretion. To be eligible for reimbursement, any such expense must be a reasonable expenditure for sales conferences, staff development, reasonable performance incentives and other similar measures conducted in the Company's normal business operations. All such expenses should serve the purpose of furthering the business goals of the Company and the cost of any such expense should be reasonable in proportion to the benefit to the Company that is expected to be derived from such expense.

II. **Approval Procedures**

Employees and directors must submit requests for reimbursement on such forms and in such time and manner as the Board or its designee may require. In addition to

prior approvals expressly required by this Policy (see Section I.A.), the Board may, in its discretion, require prior approval of any individual expense or any type of expense, or some or all of the expenses incurred by an individual employee or director, in any case, in accordance with such procedures as the Board may establish. Requests for reimbursement not submitted in the form or by the deadline designated by the Board may be declined in the Board's discretion.

The Board may from time to time designate an officer or officers of the Company to approve expenses not exceeding \$10,000 per employee or director in the aggregate for any calendar year. However, no employee or director may approve any expense for himself or herself, for any of his or her blood relatives, or for any employee to whom such individual reports, except that the CFO may approve expenses for the CEO provided that no such individual non-budgeted expense may be approved by the CFO if it is in excess of \$200. The CFO will periodically report regarding such expenses to the Board in such time and manner as the Board may request or require. The Board will review for approval any expenses not delegated to such officer or officers.

All expenses, both individually and in the aggregate, must be reasonable and have a legitimate business purpose. Expenses the Board or its designee determines are unreasonable or without a legitimate business purpose may be denied. Any reimbursement sought for expenses which the Board or its designee determines are excessive, extravagant, or unnecessary will be denied. In any dispute over whether an expense is reasonable, excessive, extravagant, or unnecessary or whether an expense has a legitimate business purpose, the Board's determination shall be final and binding.

III. CEO and CFO Certification

The Company's Principal Executive Officer and Principal Financial Officer (defined in the TARP Regulations as the principal executive officer or principal financial officer, or employees acting in a similar capacity) will certify that any expenditure requiring the prior approval of any Senior Executive Officer (defined in the TARP Regulations as a "named executive officer", as determined under applicable federal securities laws, and which means the principal executive officer, the principal financial officer, and the next three most highly compensated executive officers), the prior approval of any executive officer of a substantially similar level of responsibility, or the prior approval of the Board, was properly obtained with respect to each such expenditure. Under Section I.A., prior approval is required for entertainment or event expenses in excess of the limitation specified in that section. In addition, under Section II, the Board may require prior approval of particular expenses, particular types of expenses, or expenses incurred by a particular employee or director.

IV. Reporting of Violations

Violations of this Policy must be reported either to the Company's CEO or to the Board. No employee, officer or director may be disciplined in retaliation for reporting a violation of this Policy.

V. Accountability

By accepting any reimbursement from the Company, an employee, officer or director:

- 1) represents that the expense for which reimbursement is sought is for a legitimate business purpose and is eligible for reimbursement under this Policy;
- 2) acknowledges that he or she has read and understands this Policy and agrees to return all or a portion of the reimbursement he or she receives if the Board or its designee determines that such expense was excessive, extravagant, unnecessary or unrelated to a legitimate business purpose or was otherwise not eligible for reimbursement; and
- 3) agrees to be responsible for payment of, or reimbursement to the Company of, any expense that is not approved by the Board or its designee pursuant to this Policy.

The Company's CEO or CFO will thoroughly investigate any known or reasonably suspected violations of this Policy, including, without limitation, any approval of an expense by the designated officer under Section II that such officer knew was ineligible and any prohibited retaliatory discipline under Section IV. Such officer shall provide a full report to the Board of his or her findings. If the Board determines that a violation has occurred, the Board may authorize such officer to seek reimbursement from the violating employee or director on behalf of the Company or may authorize any appropriate or necessary disciplinary action, up to and including terminating a violating employee's employment, requesting the resignation of a director, or directing the applicable board of directors on which a director serves not to nominate such director for reelection.

Employees and directors shall be apprised of the existence of and terms of the Policy. A copy of the Policy will be provided to employees and directors, posted in prominent locations where employees and directors will be able to see it, or a combination of the foregoing. A copy of the Policy may be provided to any employee or director upon request.

VI. Miscellaneous

The Board shall have the sole and absolute authority to interpret the provisions of this Policy and their determination as to any matter hereunder shall be final and binding on all relevant parties. This Policy may not be amended, revoked, or superseded without the express approval of the Board.

This Policy is adopted and effective on October 15, 2009, as amended on March 15, 2012.

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