

CAPITAL PACIFIC BANCORP

Corporate Policy on Luxury and Excessive Expenditures

Policy Objective

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

Capital Pacific Bancorp ("Bancorp") prohibits its directors and employees from engaging in excessive or luxury expenditures of corporate assets. "Excessive or luxury expenditures" are 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 staff development, attracting and retaining customers, reasonable performance incentives or similar functions conducted in the normal course of Bancorp's business operations.

Standards for Expenditures

Entertainment.

Employees or directors may use corporate funds for activities for business development purposes relating to customers or prospective customers, or to enhance Bancorp's marketing efforts. Expenses incurred for these activities are for corporate purposes and are intended to increase business for Bancorp. Taking customers or prospects out to dinner, theater, or sporting events, or other activities that the customer or prospect would enjoy, provides opportunities to enhance Bancorp's business relationships. Expenditures for these activities are part of the normal course of business, and are not a violation of this policy. Therefore, prior approval of these expenditures generally is not required. However, staff expenditures for entertainment for a single occasion anticipated to total in excess of \$500 must receive prior approval through the process set forth in this policy. Senior management expenditures for entertainment in excess of \$200 per client or \$2,000 in the aggregate per single occasion must receive prior approval through the process set forth in this policy.

Events.

All proposed events organized by Bancorp must serve one or more legitimate business purposes, such as employee education, development and recognition, business planning, customer marketing and retention, industry networking, and similar objectives. Each proposed event with a total cost (net of any reimbursement) exceeding \$5,000 must receive prior approval through the process set forth in this policy.

The attendance of Bancorp's employees and directors at conferences and events hosted by others is encouraged by Bancorp to the extent the conferences and events have a clear business purpose. Bancorp's payment of the costs associated with attendance at such events is subject to prior approval through the process set forth in this policy.

Holiday parties and other such company-wide events are important for employee appreciation and employee morale. Accordingly, this policy does not prohibit expenditures in connection with such events. However, these events should be held locally, and should not cost Bancorp more than approximately an average day's payroll per employee.

Office or Facility Renovation.

Renovations are allowed only for Board-approved projects that are part of Bancorp's annual financial plan. Exceptions are permitted in the case of an emergency situation, such as an act of nature, when expenditure is necessary to make the facility operational for customer use. Renovations should not appear extraordinary or lavish.

Transportation Services.

Transportation for employees and directors for business purposes is to be conducted in a cost-appropriate manner. Permitted modes of transportation are vehicle, commercial air, or rail service. Selection of transportation services will consider cost, efficiency, and timeliness of travel. The use of private air service is not permitted without prior approval obtained through the process set forth in this policy.

Approval Process

Expenditures for which approval is required under this policy, that fall outside the scope of the standards set forth in this policy, or that may otherwise be considered outside the normal course of Bancorp's business operations, must have prior approval. The employee or director proposing such expenditure must submit to Chief Executive Officer or the Chair of the Board of Directors (in case of an outside director proposal) a written request detailing the anticipated amount of the expenditure and its business purpose. The request may be approved if it is determined to be based on a legitimate business purpose and reasonable in amount.

Certification of Required Approvals

Bancorp's Chief Executive Officer and Chief Financial Officer will certify to the Board of Directors in writing at least annually that approval of expenditures for which approval is required under this policy was properly obtained.

Internal Reporting of Policy Violation

Any employee or director who has violated this policy, or reasonably believes there has been a violation of this policy by another employee or director, must promptly report the suspected violation to the violating individual's supervisor (the Chair of the Board of Directors in

the case of a director), who will then report the violation to the Chief Executive Officer, or, in the event of an alleged violation by the Chief Executive Officer, to the Chair of the Board of Directors.

Any employee or director who acts in violation of this policy will be subject to discipline or censure up to and including termination of employment or absence of nomination for reelection to the Board of Directors.

Amendments to Policy

This policy may be amended only with the approval of the Board of Directors. Any material amendments to this policy will be provided to the Department of the U.S. Treasury and the Federal Deposit Insurance Corporation, and will be posted on Bancorp's web site, in accordance with applicable government regulations and guidance.