

ORION FEDERAL CREDIT UNION – Excessive and Luxury Expenditures Policy

Revision Date: 7/15/2022

Board Approved: 7/20/2022

Purpose

The purpose of this policy is to establish parameters and internal controls governing the expenditures of Orion Federal Credit Union (together with its subsidiaries and controlled affiliates, referred to hereafter as “Orion”). Expenditures of Orion should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to Orion's 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.

Authority

Orion has authority to provide compensation and benefits that are reasonable. This policy establishes a prohibition on expenditures that are excessive or luxury expenditures as required by the Department of the Treasury's Emergency Capital Investment Program (“ECIP”) regulations (31 CFR part 35), and as may be required by other statutes and regulations.

Responsibility

This policy is the responsibility of Orion's board of directors (“Board”). The Board has approved this policy and will review compliance with this policy no less frequently than annually, and summary data on excessive or luxury expenditures will be reported to the Board as part of the compliance review.

Scope

This policy applies to all employees, officers, and directors of Orion with regard to any expenditure of Orion. In making any expenditure on behalf of Orion, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy.

Excessive or Luxury Expenditures

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“Excessive or luxury expenditures” means excessive expenditures on any of the following to the extent not reasonable or appropriate expenditures for business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of Orion's business operations:

- (1) Entertainment or events. This category includes fees, dues, tickets costs related to social, athletic, artistic and dining clubs, activities, celebrations or other events, and similar expenditures. Expenditures for charitable contributions and charitable events are not prohibited under this policy.
- (2) Office and facility renovations. This category includes costs and allowances for office renovation, including expenditures related to furniture, art, office personalization, interior finishing, design and decoration, and similar expenditures.
- (3) Aviation or other transportation services.
 - (i) This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservation and travel agent expenses, and similar expenditures associated with transportation services (e.g., airline, train, rental cars, or vans). Mileage reimbursable according to current Internal Revenue Service mileage rates is exempt from this policy.
 - (ii) The Chief Executive Officer may establish or delegate to an appropriate executive officer the authority to establish processes for reimbursement of reasonable travel expenditures, which processes must be reviewed by executive management no less frequently than annually.
- (4) Tax gross-ups. This category includes any reimbursement of taxes owed with respect to any compensation. This category does not apply to tax equalization agreements for employees subject to tax from a non-U.S. jurisdiction.
- (5) Other similar items, activities, or events for which Orion may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses.

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“Excessive or luxury expenditures” does not mean:

- (1) Reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of Orion to provide products and services to its customers and community,
- (2) Expenditures evaluated and approved as not excessive or luxury by an Excessive or Luxury Expenditures Evaluation Committee (“ELEE Committee”). An ELEE Committee, if deemed necessary by the Chief Executive Officer, shall be appointed by the Chief Executive Officer to establish processes for the evaluation and approval of expenditures in the preceding categories that are not luxury or excessive expenditures and that are not otherwise exempt from this policy. These processes must be reviewed by the Chief Executive Officer no less frequently than annually, as well as any additional threshold expenditure amounts per item, activity, or event, or a threshold expenditure amount per employee receiving the item or participating in the activity or event under this policy. Such approvals must be reported to the Board (which may be in an appropriate summary form) no less frequently than annually. The ELEE Committee shall be chaired by the Chief Financial Officer and shall include at least two other Orion employees with the title of manager or above and with expertise in finance, accounting, or compliance.

Expenditures in any of the five enumerated categories that satisfy BOTH of the following conditions are deemed to be below the threshold requiring prior approval by the ELEE Committee:

- (a) The total **would not** result in Orion operating at a loss for the quarter¹ AND

¹ Under certain circumstances, it would be impossible to determine with certainty that an expenditure would cause a loss. Because of this, large expenditures should be accrued before the quarter in which they are paid and/or Orion becomes contractually obligated to pay the expenditure, whenever allowed by time and to the extent allowed by GAAP. When prior accrual is not possible, this condition will be considered met if Orion’s best estimate using commercially reasonable accounting and financial methods indicates no loss would occur.

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- (b) The total **would not** result in Orion being less than “well capitalized” under 12 CFR part 702 *after reducing the numerator* of any applicable capitalization measures (i.e., either the net worth ratio and risk-based capital ratio or the complex credit union leverage ratio) as determined at the prior quarter end *by the sum of:*
- (i) {Orion’s ECIP Investment Amount, to the extent included in the original numerator} * {The number of whole years since June 14, 2022} / 30,
 - (ii) The next twelve ECIP interest payments, calculated at the maximum interest rate of 2% until June 14, 2032 and at the actual interest rate to be paid thereafter, and
 - (iii) The total of such expenditures since the prior quarter end.

Exceptions or Violations

- (1) Any exception or violation of this policy must be promptly reported to Orion's
- (i) Chief Executive Officer,
 - (ii) Chief Financial Officer, or
 - (iii) Chief Administrative Officer or other officer designated with primary responsibility for overseeing the administration of, monitoring of, and compliance with this policy.

Exceptions and violations must be reported to the Board no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of Orion 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.

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- (2) Any employee or officer that is aware of any circumstance that may indicate a violation of this policy is required to report such circumstance to their supervisor or Orion's principal compliance officer or compliance group. Orion prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of Orion's code of conduct, laws, regulations, or other Organization policies, including this policy. A finding of retaliation against any such employee or officer may result in disciplinary action up to and including termination. Failure to promptly report known violations by others may also be deemed a violation of Orion's code of conduct.

- (3) Employees and officers may ask questions, raise concerns, or report instances of non-compliance with this policy and/or any of the existing underlying relevant policies by contacting Human Resources at HR@OrionFCU.com or any of the officers listed in paragraph (1) of this section. Employees and officers may utilize the anonymous email procedure described in the Employee Guide for reporting violations of law or policy.

Certification

On an annual basis, Orion will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either Orion's Chief Executive Officer or Chief Financial Officer) certifying that (i) Orion 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 (or a committee of such board), was properly obtained with respect to each such expenditure.