



Policy – Luxury Expenditures Policy

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Issuer:	General Counsel	Date Revised:	
Category:	Governance- Asset Management	Date Board	7/28/09
		Approved:	

Purpose

The Boards of Directors (the “Board” or “Board of Directors”) of State Bancorp, Inc. and State Bank of Long Island (together the “Company”) have adopted this Luxury Expenditures Policy (the “Policy”) to be in compliance with the with the rules and regulations promulgated under the American Recovery and Reinvestment Act of 2009 (“ARRA”) which amends the Emergency Economic Stabilization Act of 2008 (“EESA”).

Audience

The audience for this Policy is all employees of the Company and its subsidiaries.

Background

On February 17, 2009 the President of the United States signed into law ARRA which amends the EESA. ARRA requires any recipient of funds in the Troubled Asset Relief Program (“TARP”) Capital Purchase Program (“CPP”) to, among other things, adopt a company-wide policy regarding excessive or luxury expenditures. On June 15, 2009, the Department of the Treasury issued an Interim Final Rule (the “Interim Final Rule”) providing guidance on the luxury expenditures policy required by ARRA. As a participant in the CPP, the Company is required to establish a luxury expenditures policy.



Scope & Applicability

Pursuant to ARRA and the Interim Final Rule issued thereunder, the Board of Directors has adopted this Policy to address expenditures which are required to be identified and for which policies must be codified for (1) entertainment or events; (2) office and facility renovations; (3) aviation or other transportation services and (4) other similar items, activities or events for which the Company may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses. This Policy applies to all employees of the Company and its subsidiaries. Additionally, the policy specifies responsibility for the establishment of internal controls, reporting to the Audit Committee, certification requirements on Form 10-K, the reporting of actual or suspected violations and compliance monitoring.

Authority

Emergency Economic Stabilization Act of 2008

American Recovery and Reinvestment Act of 2009

Interim Final Rule issued by the Department of Treasury on June 15, 2009 (74 FR 113 (June 15, 2009), pp 28394-28423)

Policy

A. General Policy Statement

All expenditures covered by this Policy shall be reasonable and appropriate and incurred for staff development, reasonable performance incentives or similar measures conducted in the normal course of the business operations of the Company, as specified in the Interim Final Rule.



B. Prohibited Expenditures

The following expenditures are deemed excessive and are prohibited:

1. Expenditures for office furnishings, remodeling or redecoration, the aggregate cost of which exceeds \$250,000 for any executive officer appearing as a “named executive officer” in the Company’s most recent proxy statement. This prohibition does not extend to a general corporate relocation or remodeling impacting a majority of the corporate offices or a newly constructed branch, branch renovation or branch relocation.
2. Expenditures for use of a private airplane, except in emergency situations with the approval of the Chief Executive Officer who must then provide notice to the Chairperson of the Company’s Audit Committee as soon as practicable after the occurrence.

C. Expenditures Requiring Prior Approval

Prior written approval from the Chief Executive Officer (for expenditures in excess of \$50,000 and expenditures of the Chief Financial Officer) or the Chief Financial Officer (for expenditures of \$50,000 or less and expenditures of the Chief Executive Officer) is required for the following expenditures not otherwise prohibited by Section B of this Policy (1) entertainment, meetings or events; (2) office and facility renovations; (3) aviation or other transportation services, and (4) other similar items, activities or events for which the Company may reasonably anticipate incurring expenses or reimbursing an



employee for incurring expenses. Notwithstanding the foregoing, prior written approval is not required for the following expenditures: (a) expenditures to remediate emergency or hazardous conditions, (b) expenditures to comply with building codes and ordinances, (c) expenditures to satisfy legal, contractual or regulatory requirements, (d) expenditures under the Board approved annual operating budget and (e) expenditures under the Board approved capital budget.

D. Approval Procedures and Certifications

The Finance Department shall establish internal controls to ensure compliance with this Policy.

No less than annually, the Chief Executive Officer shall provide a report to the Audit Committee on the status of this Policy.

Within 90 days of the completion of each fiscal year of the Company, the Principal Executive Officer and Principal Financial Officer of the Company shall certify that the approval of any expenditure requiring prior approval under this Policy shall have been obtained. This certification shall be provided to the Department of the Treasury and on Exhibit 99.1 in the Company's annual report on Form 10-K.

E. Internal Reporting of 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 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. The Audit Committee will investigate the suspected or actual violation of this Policy in accordance with its procedures established for investigating complaints regarding improprieties in the Company's accounting, internal accounting controls or auditing matters. The Audit Committee will report to the Board at its next regularly scheduled meeting with respect to any reported violations and any recommended corrective actions. Reports of violations received under this Policy, together with any and all documents pertaining to the investigation and resolution of the violation shall be retained for six (6) years.

F. Accountability, Amendment of Policy

Compliance with this Policy shall be monitored by the General Counsel. Violation of this Policy shall subject an employee to discipline up to and including termination. This Policy may only be amended with the approval of the Board of Directors.

G. Effective Dates of Policy

This Policy shall be effective August 1, 2009 and shall remain in effect through the last day on which the Company has an outstanding obligation under the CPP to Treasury (but not including warrants to purchase the common stock of the Company).



Roles & Responsibilities

Chairperson of the Audit Committee- responsible for investigation of actual or suspected violations of this Policy received in writing from any person.

PEO- will report no less than annually to the Audit Committee on the status of this Policy and certify on Form 10-K that the approval of any expenditure requiring prior approval under this Policy shall have been obtained.

PFO- will certify on Form 10-K that the approval of any expenditure requiring prior approval under this Policy shall have been obtained.

Finance Department- shall establish internal controls to ensure compliance with this Policy.

General Counsel- will monitor compliance with this Policy

All Employees- will report any suspected or actual violations of this Policy, whether intentional or inadvertent, in writing to the Chairperson of the Audit Committee.

Related Documents & Resources: NONE

Related Policies and Procedures

Policy G4.1- Expense Payments

Supersedes: NONE

Additional Information: NONE
