

Luxury Expenditure Policy

PATHFINDER BANCORP, INC.

Legal Requirement	American Recovery and Reinvestment Act of 2009 (AARA) Emergency Economic Stabilization Act of 2008 (EESA) US Treasury Department Capital Purchase Program
Cross Reference	
Organizational Functional Area	Executive
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Department / Individual Responsible for Maintaining / Updating Policy	Legal/Human Resources Edward Mervine, Esq.
Document Name	

Historical Data

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BACKGROUND

Pursuant to Section 111(d) of the Emergency Economic Stabilization Act of 2008 (“EESA”), as amended by the American Recovery and Reinvestment Act of 2009 (“ARRA”), and pursuant to the Treasury’s June 15, 2009 Interim Final Rule implementing various ARRA requirements, each as may be amended from time to time, a participant in the U.S. Department of the Treasury’s Capital Purchase Program (“CPP”) of the Troubled Assets Relief Program (“TARP”) must adopt a company-wide policy regarding excessive or luxury expenditures. This Policy is intended to fulfill the requirements of EESA and the rules promulgated thereunder, each as may be amended from time to time, and does not necessarily constitute the full array of luxury expenditure policies that may be applicable to any individual employee.

STANDARDS

Pathfinder Bancorp Inc., and its operating subsidiary, Pathfinder Bank (collectively “Pathfinder”) prohibits excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services and other activities or events that are not reasonable expenditures made in connection with staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal business operations of Pathfinder.

Expenditures related to following events, matters and activities will be subject to the following requirements to the extent that such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of Pathfinder’s business operations:

ENTERTAINMENT

Entertainment is defined as an activity for which an employee or executive of Pathfinder would use corporate funds (1) for business development purposes relating to one or more current customer(s) or prospective customer(s) of Pathfinder or (2) to further enhance the marketing efforts of Pathfinder.

Our expectation is that all entertainment expenses incurred by Pathfinder would be reasonable in amount, of a proper nature and solely for business-related purposes. If appropriate for business purposes, spouses or guests may be permitted to participate in such entertainment (subject to the spousal accompaniment section outlines below.) However, extravagant customer entertainment should be avoided.

EVENTS

Conferences or Major Vendor Events:

From time to time, staff is permitted to attend conferences or trade shows that constitute appropriate educational opportunities, such as those sponsored by Pathfinder, vendors, banking associations, or other professional or industry-related entities. These conferences should have a correlation to the job of any staff member attending.

Employee Recognition Events:

Pathfinder believes that employee recognition events constitute part of an employee appreciation

process to motivate and reward employees for achievement and productivity. Unless determined otherwise by the Compensation Committee of the Board, they should not require out-of-area travel or overnight lodging paid for by corporate funds.

Board/Management Educational Retreats:

Board and management education is a vital part of maintaining and keeping a dynamic director and leadership base. Board and management retreats should be reasonable and should only be used for educational, marketing strategic planning or other business purposes.

Events Furthering Charitable Purposes:

At Pathfinder Bank, we know that our business can only succeed if the markets we serve are economically healthy and viable. That is why we are dedicated to improving the communities where we live and work. We provide support to philanthropic programs, which may include, among other things, charitable events and/or other programs that are beneficial to Pathfinder's Community Reinvestment Act program.

OFFICE AND FACILITY RENOVATIONS

Reasonable renovations from time to time are considered acceptable. Renovations of facilities and office spaces should be relative to Pathfinder's strategic plan. All material renovations are to be overseen by the Facilities Committee of the Board.

AVIATION AND OTHER TRANSPORTATION SERVICES

Transportation for Pathfinder staff for conferences, meetings, business development opportunities or other business purposes should be accomplished in an appropriate way, taking into account the cost, efficiency and timeliness of travel. Acceptable modes of transportation may consist of vehicles, commercial air or rail services, or other reasonable modes of transportation. Airline and rental car club dues are not reimbursable. Pathfinder has no corporate aircraft.

OTHER SIMILAR ITEMS, ACTIVITIES, OR EVENTS FOR WHICH PATHFINDER MAY REASONABLY ANTICIPATE INCURRING EXPENSES, OR REIMBURSING AN EMPLOYEE FOR INCURRING EXPENSES.

Spousal Accompaniment:

Employees must pay for all personal travel and personal spousal travel. Pathfinder does not reimburse for expenses involved with spousal accompaniment, unless the spouse is participating in a bank related capacity.

Other Items:

Employees are expected to exercise reasonable business judgment with respect to expenses related to business items, activities or events.

MISCELLANEOUS

Any violations under this Policy shall be promptly reported to the Chair of the Audit and Compliance Committee of the Board of Directors and to the Internal Auditor, who shall be responsible for monitoring compliance and ensuring that reported violations are reviewed and appropriately addressed.

Expenditures incurred by Pathfinder on entertainment and events, office or facility renovations, aviation or other transportation services and other similar items, activities or events that (1) are not reasonable expenditures made in connection with staff development, reasonable performance incentives, or similar reasonable measures conducted in the normal business operations of Pathfinder and (2) exceed \$25,000 per item, activity or event shall require the prior approval of the Board of Directors.

This Policy shall be administered by the Audit and Compliance Committee. All determinations of the Audit and Compliance Committee or its respective lawful designee shall be final, binding and conclusive on all persons for all purposes hereunder.

This Policy shall require certification by Pathfinder's Principal Executive Officer (as defined under the EESA as amended by ARRA) and Principal Financial Officer (as defined under EESA as amended by ARRA) that the approval of any expenditure requiring the prior approval of any Senior Executive Officer (as defined under the EESA as amended by ARRA), any executive officer of a substantially similar level of responsibility, or the Board of Directors (or a committee of such Board of Directors), was properly obtained with respect to each such expenditure.

This Policy shall be posted on the Company's Internet website and shall be provided to the Treasury and to the Company's primary regulator no later than ninety (90) days after September 11, 2009.

POLICY ADOPTION AND AMENDMENTS

The Legal Department will recommend to management and the Board of Directors any future changes in this policy. Changes might be recommended because of new or changed laws or regulations or as a result of the products and services offered by the Bank. The policy and amendments thereto, shall be effective upon adoption by the Board of Directors.

Adoption by Board of Directors: **October 20, 2009**



Signature of Secretary of the Board of Directors