

**STEWARDSHIP FINANCIAL CORPORATION
ATLANTIC STEWARDSHIP BANK**

Organizational Functional Area:	Accounting Department
Policy For:	Excessive or Luxury Expenditures Policy
Board Approved and Adopted:	September 11, 2009
Last Revision:	January 21, 2014
Department/Individual Responsible:	Accounting Department

Stewardship Financial Corporation and Atlantic Stewardship Bank

Excessive or Luxury Expenditures Policy

I. Introduction

Stewardship Financial Corporation (the “Corporation”) has adopted this Excessive or Luxury Expenditures Policy (the “Luxury Expenditures Policy”) to be applicable to the employees of the Corporation and its wholly-owned subsidiary, Atlantic Stewardship Bank; references herein to “the Corporation” are intended to include Atlantic Stewardship Bank. The purpose of this Luxury Expenditures Policy is to establish standards and provide for monitoring of expenditures.

Specifically, the Luxury Expenditures Policy addresses the following:

- describes the various types or categories of expenditures that are prohibited by the Corporation;
- describes the types or categories of expenditures that require prior approval;
- provides reasonable procedures for expenditures requiring prior approval;
- requires the prompt internal reporting and escalation of violations of the Luxury Expenditures Policy to an appropriate person identified in this policy; and
- requires accountability for adherence to this policy.

The standards set forth in this Luxury Expenditures Policy apply to each and every employee of the Corporation and each employee is expected to read, understand and comply with the standards set forth in this policy. It is similarly expected that each employee shall report instances of non-compliance of this policy of which an employee becomes aware to the appropriate parties as set forth herein.

II. Standards

The term “excessive or luxury expenditures” means excessive expenditures relating to any of the following categories of expenditures to the extent such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the Corporation’s business operations:

- Entertainment and events;
- Office and facility renovations;
- Aviation or other transportation services; and
- Other similar items, activities, or events for which the Corporation may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

The incurring or reimbursement of any non-business related expenditures incurred by employees of the Corporation or the Bank are prohibited acts under the Luxury Expenditures Policy.

Entertainment and Events:

Entertainment refers to any activity where an employee of the Corporation would use corporate funds for business development purposes relating to an existing customer or prospective customer, or to further enhance the Corporation’s marketing efforts. The Luxury Expenditures Policy prohibits the incurring or reimbursement of any non-business related expenditure incurred by the Corporation’s employees.

The Corporation’s expectation is that all expenses incurred on behalf of the Corporation would be for company business purposes. Events such as taking existing or prospective customers dining or to play golf or to sporting or other events that the existing or prospective customer would find enjoyable is a necessary part of the Corporation’s marketing efforts and is not deemed a “luxury” or a violation of this policy. Expenditures in this regard must be reasonable and appropriate, and documented in detail indicating the amount of the expenditure together with receipts and other supporting documentation indicating the anticipated benefit to be derived by the Corporation. All entertainment expenditures must be approved for payment in accordance with the accounts payable / expense reimbursement procedures.

Office and Facility Renovations:

Renovations of facilities and office spaces should be a component of an approved project and project budget, and tracked within the capital expenditure policy of the Corporation. An exception to this may be allowed if management must deal with an emergency situation, such as an act of nature, and an expenditure is necessary to make the facilities operational for use. At no time should renovations be undertaken that would have the appearance of being extraordinary or excessive from a shareholder perspective.

Aviation and Transportation Services:

Transportation for Corporation employees to outlying locations, which could include travel for attendance at seminars and conferences, for business development purposes and to other bank locations should be conducted in the most cost effective and appropriate manner for the Corporation. Modes of transportation to be used may consist of vehicle, commercial air or rail service. The selection of the mode of transportation will factor in cost, efficiency, and timeliness of travel. All non-typical / infrequent travel-related expenditures and the purpose thereof must be reviewed and pre-approved by an employee's immediate supervisor/manager and must be consistent with other Corporation policies. Non-typical / infrequent travel undertaken by senior executive officers must be pre-approved by the Corporation's Chief Financial Officer ("CFO").

Other Activities:

Conferences and Seminars

The Corporation encourages employees to attend conferences that are appropriate educational opportunities related to the financial services industry and having a direct correlation to employees' positions with the Corporation. Attendance at conferences and seminars must be pre-approved by an employee's immediate supervisor/manager and must be consistent with other Corporation policies.

Employee Recognition/Holiday Parties

The Corporation believes that employee recognition/holiday parties are part of an employee incentive and appreciation process. These events should be local in geographic nature, and could include costs for such things as service awards and nominal door prizes/small gifts. Cost of an event should be reasonable and appropriate.

Board of Directors Training

Director education is a vital part of maintaining a well-informed Board of Directors (the "Board"). Seminars and conferences attended by the Corporation's Board of Directors should only be for educational or business planning purposes and be treated in the same manner as all other expenses.

III. Pre-Approval Process; Exceptions to the Policy

Pre-approval of expenditures should be undertaken in the manner described in this policy as to the specific expenditure. Exceptions to this policy for expenditures exceeding the guidelines set forth herein will only be granted in extraordinary circumstances and with the pre-approval in writing of a senior executive officer, any executive officer of a substantially similar level of responsibility, or the Compensation Committee.

IV. Reporting of Violations; Consequences of Violations

In general, all such expenditures shall be reasonable and appropriate under the circumstances and consistent with this policy and other policies adopted by the Corporation. Unless pre-approved pursuant to the procedures set forth herein, any expenditure in the above categories that is in excess of stated limitations or otherwise appears to be unreasonably high under the circumstances shall be considered excessive. Any employee who knows of any such occurrence or otherwise believes that a violation of this policy may have occurred or be occurring by any other employee, must report the violation immediately to the employee's immediate supervisor/manager who shall then report the violation to the Chief Executive Officer ("CEO") or to the Chairman of the Board (if the alleged violation is by the CEO).

No employee or director shall engage in excessive spending. Any employee or director who engages in excessive spending shall be subject to disciplinary action which may include termination of employment or removal from or omission of re-nomination to the Board.

V. Reporting Requirements

The Corporation's Board of Directors has formally adopted this Luxury Expenditures Policy. Any amendments to this policy must be approved by the Compensation Committee or the Board.

The Corporation will post the text of any amendments to this policy on the Corporation's Internet website as soon as practicable after the Board's or the Compensation Committee's approval and adoption of any such amendment.