

**First Federal Bank**  
**First Federal Bancshares of Arkansas, Inc.**  
**Excessive and Luxury Expenditure Policy**

This policy fulfills the requirements under Section 111(d) of the Emergency Economic Stabilization Act of 2008 (“EESA”), as amended by Section 7001 of the American Recovery and Reinvestment Act of 2009 (ARRA), and applicable rules and regulations promulgated thereunder. EESA, as amended, requires each recipient of funds under the Capital Purchase Program (CPP) of the Troubled Assets Relief Program (TARP) to have in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury.

First Federal Bancshares of Arkansas, Inc. (the “Parent”) and its bank subsidiary First Federal Bank (the “Bank”) (collectively the “Company”) prohibits excessive or luxury 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 conferences, staff development, reasonable performance incentives or other similar measure conducted in the normal course of business operations. This policy is not intended to limit or restrict ordinary and customary expenditures incurred by the Company, its officers and employees incurred in normal course of business operations.

**Entertainment**

Entertainment is defined as an activity that an Employee or Executive would use corporate funds for business development purposes relating to a current customer or prospective customer, or to further enhance the Company's marketing efforts.

Company sponsorship of excessive or luxury expenditures on entertainment or events is strictly prohibited. Prior written approval from the Chief Executive Officer (“CEO”), Chief Operations Officer (“COO”) or the Chief Financial Officer (“CFO”) shall be required for all entertainment related expenditures exceeding \$500. By way of example, off-site planning meetings and off-site board of directors meetings are considered a normal part of the successful operation of the Company and are not considered luxury or excessive events.

Our expectation is that all expenses incurred by the Company (or reimbursable by the Company) are for business purposes, and are incurred to drive business to the Company. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, or taking them to other events is a necessary part of the Company's marketing/business development efforts and is not deemed as "luxury" or a violation of this Policy. These expenses must be documented and detailed as to the benefit derived by the Company through the normal accounts payable process.

**Conferences**

We encourage our staff to attend conferences that are appropriate educational and/or business development opportunities. These conferences should be related to the financial services industry and have a direct correlation to their job. At times it may be appropriate that a spouse would travel to these conferences with Company attendees. Typically these conferences are sponsored by

vendors, banking associations, or other industry related entities. Prior written approval from the CEO, COO, or CFO shall be required for all conference related expenditures exceeding \$500.

### **Employee Recognition/Holiday Parties**

We feel that employee recognition/holiday parties are part of an overall employee appreciation/retention process. These events should be local in geographic nature, and would include costs for such things as service awards and nominal door prizes. An event should not cost the sponsoring business unit more than an average day's payroll per employee.

### **Board/Management Retreats**

Retreats should only be used for educational and/or business planning purposes, and should continue to be viewed as appropriate business expenses. Board education is a vital part of maintaining, and keeping a dynamic director base, and this policy should not limit a retreat that is focused on strategic planning or education.

### **Office or Facility Renovations**

Renovations of Company facilities and office spaces should be relative to the approved project and current profit plan and tracked within the limits of the approval authority table of this section. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use. Office and facility renovations should be designed to: enhance operational efficiency, comply with applicable fire codes and ADA requirements, maintain a safe, sanitary and clean working environment, enhance the public image of the organization, improve employee morale, or such other worthwhile purpose as may be identified by the Company. By way of example, relocating or adding moveable work stations, improving the air flow or temperature, altering the wall, ceiling or lighting configuration of a work or storage space, establishing a new branch office or sales office shall not be considered "excessive" by their very nature. At no time should renovations be done that would have the appearance of being extraordinary, or excessive from a shareholder perspective.

The following approving authorities apply for the approval of an office or facility renovation before it is incurred:

<b><u>Expenditure</u></b>	<b><u>Approving Authority</u></b>
\$0 - \$5,000	Senior Vice President
\$0 - \$25,000	Executive Vice President or Division President
\$0 - \$50,000	CEO or COO
\$0 - \$250,000	CEO, COO and CFO
Over \$250,000	Board of Directors

### **Aviation or Other Transportation Services**

Transportation for staff to outlying locations, including bank locations, conferences, business development purposes and merger and acquisition research, should be conducted in the most cost appropriate way for the Company. Modes of transportation to be used may consist of vehicle, commercial air or rail service. The selection of transportation services will factor in cost, efficiency and timeliness of travel. Private air services are not allowed without the approval of the CEO.

### **Required Reporting**

The process for approving and reporting expenditures covered by this policy, as well as the actual amount of expenditures incurred, may be subject to audit by the Company's internal audit staff to confirm policy compliance.

Any violations or departures from policy requirements shall be promptly reported to the CEO or COO, unless such violations or departures relate to the CEO or COO. Violations or departures from this policy by the CEO or COO should be promptly report to the board of directors through either the CFO or any member of the audit committee.

The CEO and CFO shall certify, at least annually, that the approval of any expenditure under this policy requiring prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the Company's board of directors (or a committee of the board of directors) was properly obtained with respect to each such expenditure.

Adopted – August 26, 2009