

 HERITAGE Community Bank	Luxury Expenditure Policy	Board Approved: June 22, 2010 Last Revision: June 22, 2010 Individual Accountability: Chief Financial Officer
---	--	---

Luxury Expenditure Policy

This Luxury Expenditure Policy (this "Policy") fulfills the requirements under the American Recovery and Reinvestment Act of 2009 ("ARRA") enacted February 17, 2009. ARRA 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 U.S. Department of the Treasury ("Treasury").

Regional Bankshares, Inc. and its subsidiary, Heritage Community Bank (collectively, the "Company"), prohibit 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.

Renovations

Renovations of facilities and office spaces should be relative to the approved project and current profit plan of the Company. 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. At no time should renovations be done that would have the appearance of being extraordinary or excessive from a shareholder perspective. All proposed renovations of facilities and office spaces with a cost exceeding \$25,000 must be approved in writing by the Board of Directors (the "Board") of the Company prior to the commencement of any such renovations.

Entertainment

Entertainment is defined as an activity that an employee of the Company 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.

Our policy is that all expenses incurred to the Company would be for Company purposes, and used to drive business to the Company. Occasional events including, but not limited to, taking customers or prospects on trips, playing golf, eating dinner, or taking them to other events the customer/prospect would find pleasurable is a necessary part of the Company's marketing efforts and is not deemed as "luxury" or a violation of this Policy. These expenses should be documented and detailed as to the benefit derived by the Company through the normal accounts payable process.

Events and parties focused on customers for the purpose of attracting their business would not fall under this Policy.

Conferences

We encourage our staff to attend conferences that are appropriate educational opportunities. These conferences must 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. This Policy would exclude reward conferences

whether paid for by the Company or other vendors as a violation of this Policy if the purpose is meant to be a reward, or would have no value of education to the employee.

Spouse/Travel Expenses

Generally, the Company shall not pay the expenses of a spouse, guest or other family member accompanying an employee who is attending a business-related conference or other event. An exception to this is in cases where a spouse's attendance is required or expected, as in the case of bank association conventions. Spouses may travel with Company attendees, provided that such locations are readily accessible without excess travel cost.

Employee Recognition/Holiday Parties

We feel that employee recognition/holiday parties are part of an employee appreciation 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 Company more than an average day's payroll per employee, on average.

Board/Management Retreats

Retreats shall only be used for educational or business planning purposes, and should be kept in consideration and looked at, in the same view and discretion as all other 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. Spouses may travel to Board or management retreats with Company attendees, provided that such retreat locations are readily accessible without excess travel costs.

Aviation Services

Transportation for Company staff to outlying locations, including Company branch 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 in excess of \$2,000 per trip are not allowed without the prior written approval of the Board. Following any approval of private air services by the Board of Directors, the Chief Financial Officer and the Chief Executive Officer shall certify that such approval was obtained and such certification shall be maintained in the Company's corporate records.

Administration and Policy Violations:

The Chief Financial Officer of the Company is responsible for the day-to-day administration of this Policy, and the Chief Executive Officer of the Company is accountable for overall adherence to this Policy and must approve any exceptions. All expenses permitted under this policy shall be approved in accordance with the Company's Expense Reimbursement and Accounts Payable Policy and all invoices and/or employee reimbursement request forms are reviewed by the CFO prior to issuance of a Company expense check.

Strict adherence to this Policy is mandated for all Company employees. Violations of this Policy shall be promptly reported to the CFO, or if the violation involves executive management, to the Compensation Committee or the Board of Directors. Employees violating the provisions in this policy may be subject to discipline, up to and including termination, in accordance with the Company's personnel manual.

This Policy and any amendments hereto, shall be posted on the Company's Internet website and provided to the Treasury.