BRANCH ACCOUNTING MANUAL

OBJECTIVES, POLICIES AND PROCEDURES
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# Branch Manager Travel & Business Expense Reimbursement

## Purpose and Requirements

**Purpose and Copyright**

American Financial Network, Inc. ("AFN") shall establish and maintain this policy to convey allowable business expenses, as incurred by Branch Managers, which are eligible for reimbursement.

The Branch Manager Travel & Business Expense Reimbursement policy is exclusive to and a copyright of AFN. No Employee may share, distribute, convey, post, copy, duplicate, reproduce, replicate, keep, or provide this document to others without the express, written consent of AFN Executive Management.

**Documenting Expenses**

AFN must properly document acceptable business expenses. The policy includes information useful to AFN Branch Managers when submitting well-documented business expense reports in order to receive timely reimbursement.

**Acceptable Expenses Defined**

Acceptable business expenses include “all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business,” with limitations under Internal Revenue Code Section 162. The word “ordinary” refers to a commonly accepted expense in a particular industry. The word “necessary” refers to a helpful and appropriate expense incurred in carrying on a trade. An "expense" is a current benefit as opposed to any capital expenditure.

When unsure of the eligibility of a particular expense for reimbursement, the Branch Manager should contact the Corporate Accounting Department, Jack Sherman, Evie Sherman, or an Executive designee at the corporate office for assistance.

**Expense Caps**

AFN reserves the right to set certain expense caps within the budget in order to prevent spendthrift abuse of the expense reimbursement policy. Absent PRIOR approval from Jack Sherman, Evie Sherman or an Executive designee.
## Qualified Expense Categories

### Internal Revenue Code
The descriptions below incorporate the general, qualified business expenses that the US Internal Revenue Code permits.

### Transportation Expenses
Transportation expenses include the actual documented cost for:
- Airline tickets
- Train tickets
- Car rental
- Taxi fare
- Tolls
- Parking
- Mileage/Gas

### Travel Expenses
Travel, or “away-from-home” expenses include the actual documented cost for:
- Meals/Business Meals
- Hotel/Lodging
- Laundry/Incidentals
- Business Entertainment

### Miscellaneous
Miscellaneous expenses include the actual documented cost for:
- Cell phone bills
- Other approved expenses

## Proof of Expense Requirements

### Per Diem
AFN does not offer a per diem rate for any qualified expenses.
Proof of Expense Requirements (Continued)

Itemized Receipt or Documentation

AFN requires an itemized receipt or other itemized supporting documentation showing the amount that was paid for each qualified expense. This applies to general expenses and branch expenses. Absent an itemized receipt or other acceptable documentation, AFN will deny reimbursement (absent certain extenuating circumstances).

All travel expenditures must be documented, including receipts, a detailed itinerary and daily agenda to prove business purpose.

Falsification of Expenses

Disciplinary Action

Pursuant to the AFN Employee Manual sections for Unacceptable Activities and Disciplinary Actions, AFN forbids acts of dishonesty through the falsification of AFN’s records.

Any Branch Manager or other AFN Employee who submits fraudulent receipts or falsifies an expense report will, at the sole discretion of AFN Executive Management:

- Lose reimbursement privileges; and/or
- Cease employment with AFN

Any offense will result in disciplinary action possibly including, but not limited to, termination and/or criminal prosecution.

Federal, State, County, City & Other Regulations

Compliance

All expenditures must be made in compliance with current laws and Internal Revenue Service (IRS) regulations. AFN takes the position that Branch Managers will file IRS Form 2106 on personal tax returns for any Unreimbursed Business Expenses. AFN recommends that you consult a tax advisor for compliance.
Non-reimbursable Personal Expenses

In order to assist you in determining whether an expense qualifies for reimbursement, AFN provides the following non-exhaustive list of non-reimbursable, non-business expenses:

- Credit card interest
- Upgrade fees for air, hotel and car rental charges
- Grooming, hair or nail salon expenses
- Charitable donations
- Headphones on airlines
- Health club fees (possible exception: incurred while on company travel or paid through company affiliate)
- Country Club, Tennis Club, Sports Club or any other club or membership dues
- Gentlemen’s Clubs
- Laundry (possible exception: out of town on business for three nights or longer)
- Massage
- Medication
- Movies (in-room or at a theater)
- Office supplies (for a home office)
- Personal alcohol and bar bills
- Car washes/car detailing
- Personal books, magazines, or other entertainment
- Personal travel during a business trip
- Personal losses (gambling, etc.) while on company business
- Toiletries
- Traffic citations (parking tickets, fines, or any violations of the law)
# Reimbursable Personal Expenses

**Non-exhaustive List**  
By way of illustration only, AFN provides this non-exhaustive list of *typically* allowable expenses to include with an expense report:

- Credit reporting
- Mortgage-related dues and subscriptions
- Flood Certifications
- Business Office Expenses
- Business Office Supplies
- Travel & Entertainment: Meals
- Travel & Entertainment: Travel

## Office Expenses

**Billable Directly to Corporate**  
The following expenses must be billed directly to the corporate office:

- Equipment leases
- Insurance
- Marketing
- Processing
- Professional fees: Consulting
- Professional fees: Legal
- Rent
- Telephone
- Utilities
Weekend, Holiday & Overtime Expenditures

Prior Approval Required

Typically, AFN authorizes Branch Managers to work during normal business hours, defined in the Employee Manual as weekdays from 8:00 AM until 6:00 PM with appropriate breaks and meal periods. Certain positions, however, will cause some employees or managers to work weekends, holidays and after hours. Any question as to permissible expenses must be clarified before incurring labor expense on a weekend or holiday. Furthermore, AFN must approve ALL overtime prior to the overtime being worked. Failure to follow pre-approval procedures may result in the rejection of reimbursement and/or the return of monies on a breach of contract claim.

Expense Report Submission

Deadline

Expense reports are due by the 15th day of the following month. Expense reports may also be submitted semi-monthly by the 15th and 30th day of each month.

Approval of late submissions will be granted by exception only and must be signed off by Jack Sherman, Evie Sherman or an Executive designee. If granted, all receipts must be submitted within 60 days of incurring the expense.

Consult a tax advisor regarding how to claim unreimbursed business expenses if you submit your reports after the 60-day window.

Requirements

Pursuant to the Branch Manager Agreement, expenses incurred in the operation of the Branch are set forth on the Branch Operation Budget (the “Budget”) and the Branch Manager or Employee agrees that any other expenses shall be subject to AFN’s written approval.

Branch Managers shall pay all expenses in advance and submit for reimbursement according to the following guidelines:
### Expense Report Submission (Continued)

<table>
<thead>
<tr>
<th>Credit Reporting, Flood Certs, Mortgage-related costs</th>
<th>All reasonable expenses for these and similar mortgage-related costs of doing business shall be reimbursed by AFN.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage-related Dues/Subscriptions</td>
<td>All reasonable expenses for mortgage-related dues and subscriptions shall be reimbursed by AFN as a cost of doing business.</td>
</tr>
<tr>
<td>Business Office Expense: Internet</td>
<td>The only internet access for reimbursement shall be the branch office. Approval is required for special circumstances or mobile internet connectivity.</td>
</tr>
<tr>
<td>Business Office Expense: Gifts, Reduced Fees, Etc.</td>
<td>Branch Managers must seek pre-approval from Jack Sherman, Evie Sherman or an Executive designee for all reimbursement requests for gifts, flowers, reduced fees, or anything of value given. AFN will evaluate branch budgets, RESPA laws (if applicable), and the reasons behind the gift. “Gift Cards” of any kind will not be reimbursed unless proof is provided that they are directly tied to an approved person. Any additional payments of value must be pre-approved. Any violations of RESPA through Branch Manager or Employee neglect shall be charged at a fine of three (3) times the violation pursuant to Federal Law.</td>
</tr>
<tr>
<td>Business Office Supplies</td>
<td>AFN shall reimburse the Branch for all “ordinary and necessary” office supplies used in “carrying on” mortgage-related activity.</td>
</tr>
</tbody>
</table>
Expense Report Submission (Continued)

Telephone

AFN will reimburse a maximum of $150.00 per month toward a bill for business-related calls made on personal cell phone/PDA devices. To qualify, the entire itemized bill must be provided. AFN will not reimburse for other employees, family members, friends or any other phones or devices, NO EXCEPTIONS.

While conducting away-from-home travels, the cellular phone shall be used as a means of communication. Avoid using hotel, pay phone, or any other sources unless required in an emergency situation.

**OBEY THE LAW!** AFN does not condone texting while driving or the use of a cellular phone without a hands-free device because it is against the law, against company policy, and subjects the offender to disciplinary actions up to and including termination from employment with AFN.

Travel & Entertainment: Meals

When conducting pre-authorized, overnight, away-from-home travel, AFN will reimburse a Branch Manager for up to three meals per day. AFN does not offer per diem meal expenses; we require an itemized receipt for EVERY meal, and the amount must be reasonable for the number of people in attendance.

**Meal Expense Guidelines**

- AFN does not accept detachable tabs from dinner checks as a reimbursable receipt. AFN accepts only an itemized register receipt and/or itemized copy of the check.
- Itemized receipts are required in addition to the credit card receipt.
- Tips may not exceed 20% of the cost of the meal. Any tip exceeding 20% will not be reimbursed. For large groups, a 10% tip should be appropriate.
- Meals should be listed on the expense report in date order, and the following information should also be included:
  - Attending parties (include name, title, business relationship of all attendees)
  - Business purpose
Expense Report Submission (Continued)

Travel & Entertainment: Meals
(Continued)

- AFN will not reimburse for personal meals where a borrower, business relationship, or other employee is not in attendance (because it is not in the ordinary and necessary course of carrying on business, which makes it against the Internal Revenue Code).
- AFN requires prior approval of expenses related to branch team building, rewards or recognition purposes. Giving “something of value” could violate RESPA if tied to loan closings, referrals, or any other kickback related to closing a loan.
- AFN only accepts cash payments by exception and with PRIOR approval. Include on the expense report the amount of the payment, including a written explanation of why cash was used, the business purpose, and the name, title and business relationship of all attendees.

Travel & Entertainment: Transportation

Transportation must be ordinary and necessary for Branch operations and Branch Managers must explain the business purpose.

Airfare/Train

Plan all travel in advance to take advantage of early purchase discounts. Receipts must be submitted in addition to itineraries. Itineraries are not valid receipts. Coach fair or equivalent will be reimbursed by AFN.

Car Rental

The following guidelines apply to reimbursable car rental:

- Compact/Economy model only (upgrades must be pre-approved by Jack Sherman, Evie Sherman or an Executive designee. Any variance will not be reimbursed.
- Rental car should be returned to the original rental location in order to avoid costly drop-off charges.
- Decline the refueling option (it is typically more costly) and return the car with a full tank of gas.
Expense Report Submission (Continued)

Travel & Entertainment: Transportation (Continued)

Mileage/Gas Reimbursement
AFN will reimburse for business-related gas purchases. AFN expects its employees to maintain integrity and only submit for reimbursement gas receipts for business-related travel. Reimbursement will not be made without a receipt. A log of all travel miles must be kept; AFN reserves the right to switch this expense reimbursement policy to the Federal per-mile rate.

Airport Parking
Long-term parking should be used for travel exceeding a 24-hour turnaround.

Other Parking
The employee should make every effort to park in free local parking first, or, if unavailable, metered parking. If metered parking is not available, an attended parking lot with hourly fees should be used as a last resort.

Tips to parking lot attendants will be reimbursed at a rate of $1.00 per parking receipt and must be written on the receipt. Receipts from municipal meters should be kept for reimbursement. A parking violation/citation is not a reimbursable expense.

Taxi/Shuttle/Rapid Transit/Public Transportation
Employees should evaluate their individual circumstances and select the safest, most economical alternative when traveling to and from all destinations. Long-term parking should be used if traveling for more than a day. Taxi, shuttle and public transportation expenses should be itemized separately and must be accompanied by a receipt. Tips to drivers should be reasonable (no more than 15%) and must be written on the receipt.
### Expense Report Submission (Continued)

#### Travel & Entertainment: Lodging

Travelers should stay in safe and secure accommodations in standard sized rooms. Deluxe, suite and any other type of upgrade accommodations will not be reimbursed. In-room movies and massage services will not be reimbursed.

Laundry services are generally considered non-reimbursable expenses unless traveling three days or more (exceptions must be approved by Jack Sherman, Evie Sherman or an Executive designee.

#### Corporate Paid Expenses

Branches must acquire pre-approval and bill all corporate paid expense items to the corporate office in Brea, CA. The only exceptions are initial startup costs or emergency protocols.

#### Corporate Invoiced Expenses

Branch Managers MUST invoice the following expenses to the Corporation with advanced approval:

- Equipment leases
- Marketing
- Processing
- Professional Fees: Consulting
- Professional Fees: Legal
- Rent
- Utilities

#### Pre-approval and Exceptions Approval

The Branch Manager must obtain advance approval from Jack Sherman, Evie Sherman or an Executive designee for expenses as follows:

- Any expenses that require pre-approval
- Exceptions to the expense policy
- Approval beyond 15 days after the end of the month in which the expense was incurred
No Exception Policy

Late Submissions

No Executive, including Jack Sherman, Evie Sherman or an Executive designee, will be able to approve reimbursement of any expense beyond the 60-day window. Branch Managers or employees should consult a tax advisor to claim unreimbursed business expenses on an IRS form 2106. Accordingly, AFN recommends submitting all expense reimbursements by the 15th of the month following the month the expense was incurred (as required).